Daily Report

Latin America

FBIS-LAT-92-165
Tuesday
25 August 1992

Daily Report
Latin America

FBIS-LAT-92-165 *25 August 1992*

CONTENTS

NOTICE TO READERS: An * indicates material not disseminated in electronic form.

FRONT PAGE

CARIBBEAN

Cuba

Lezcano: Social Programs Given Priority *[Havana Radio]* 2
Canary Island Visitors Express Solidarity *[Havana Radio]* 2
Cienfuegos Agriculture Plan Successful for 1992 *[Havana Radio]* 2
Isle of Youth Increases Plantain Production *[Havana Radio]* 2
Reforestation Campaign To Produce More Fruit *[Havana Radio]* 2

Haiti

'Disappointment' Expressed Over OAS Results *[Port-au-Prince Radio]* 3
Peasant Movement Members Arrested in Chantal *[Port-au-Prince Radio]* 3

MEXICO

U.S. Aircraft 'Violated' Airspace in Sonora *[Mexico City TV]* 4
Serra Puche Says Agreement Will Create Jobs *[Mexico City TV]* 4

CENTRAL AMERICA

El Salvador

Cristiani Interviewed on Peace, Demobilization *[San Salvador TV]* 5
Cristiani on 'Alleged' Honduran Troops at Border *[San Salvador Radio]* 6
FMLN 'Concern' Over Presence Noted *[San Salvador Radio]* 7
Radio Venceremos Announces New Legal Status *[San Salvador Radio]* 7
Programming 'No Longer Propagandist' *[San Salvador TV]* 7
Killer of Union Leader Ramirez Identified *[LA PRENSA GRAFICA 21 Aug]* 8
Poll Shows Preferences for 1994 Elections *[San Salvador TV]* 8

Guatemala

Government, Guerrilla Negotiations 'Interrupted' *[Mexico City NOTIMEX]* 8
Serrano Rules Out Civilian Sectors in Talks *[PRENSA LIBRE 24 Aug]* 9

Honduras

Callejas on Politics, U.S. 'Meddling' *[Tegucigalpa Radio]* 9
UK Cancels 50-Million-Lempira Debt *[EL HERALDO 22 Aug]* 10

Panama

Caution Urged in Trade Agreement With Mexico *[EL PANAMA AMERICA 24 Aug]* 10
Attorney General Comments on Hernandez Case *[Panama City TV]* 10
Attorney General Criticizes Prison Conditions *[Panama City TV]* 11
Fuertes Caminos '93 To Invest in Chiriqui *[Panama City TV]* 11
Strike Paralyzes Bocas del Toro Province *[Panama City Radio]* 11
PCC Administrator on Canal Toll Increase *[LA PRENSA 22 Aug]* 11

SOUTH AMERICA

Bolivia

EGTK 'Planned' To Attack U.S. Ambassador *[Madrid EFE]* 13
Reporters To Protest U.S. Charges of Corruption *[La Paz Radio]* 13
MIR-New Majority To 'Democratize' for Elections *[La Paz Radio]* 13

Brazil

Senator Presents CPI Report on PC Farias *[Rio de Janeiro TV]* 13
Collor Will Make 'A Conciliatory Address' *[O ESTADO DE SAO PAULO 24 Aug]* 19
CPI May Summon PC Farias on Pension Funds *[Brasilia Radio]* 19
CPI Proposes Permanent Auditing Committee *[Madrid EFE]* 19
Presidential Press Secretary on CPI Report *[Brasilia 24 Aug]* 20
Deputy Says Report Does Not Involve Collor *[Brasilia Radio]* 20
Report Reveals Links Between Collor, PC Farias *[O GLOBO 23 Aug]* 20
CPI Notes 'Unsuspected' Involvement of Collor *[O GLOBO 23 Aug]* 21
• Uruguayan Bank Loan Operation Detailed *[VEJA 5 Aug]* 21
Spokesman Objects To NEW YORK TIMES Article
[O ESTADO DE SAO PAULO 22 Aug] 26
Two Justices Not To Participate in Impeachment *[O GLOBO 24 Aug]* 26
Minister Says Economy Will Survive Crisis *[Brasilia Radio]* 26
Economic Issues Said Separate From Politics *[Brasilia Radio]* 27
Bank Head on Failure To Attract Funds Abroad *[Brasilia Radio]* 27
Army Minister Urges End to 'Radicalism' *[O ESTADO DE SAO PAULO 21 Aug]* 27
Planes Sold to Ministry, Argentine Air Force *[O GLOBO 24 Aug]* 28
Bolivian Gas Accord, Entrepreneurs' Views Eyed *[O ESTADO DE SAO PAULO 18 Aug]* 28

Chile

Damage Claims in Poison Grape Case Renewed *[Santiago Radio]* 28
Brazil Asks For 'Patience' in Romo Case *[Santiago Radio]* 29
Pinochet Lectures on Army's Evolution, Future *[Santiago Radio]* 29

Colombia

U.S. 'Warned' Coffee Countries 'Will Go Broke' *[Santa Fe de Bogota TV]* 29
Air Traffic Safety Hearings Begin in Senate *[EL TIEMPO 20 Aug]* 30
Civil Aeronautics To Install 7 Radar Systems *[EL TIEMPO 21 Aug]* 31
Ecopetrol Plans To Solve Production Deficit *[EL NUEVO SIGLO 20 Aug]* 32
Noriega Spokesman's Extradition Request Rejected *[Santa Fe de Bogota TV]* 32

Ecuador

Media Charges Attacks, Threats From Government *[Madrid EFE]* 33
Agreement With Colombia, Mexico, Chile Sought *[Quito Radio]* 33

Paraguay

Rodriguez Announces New Credits for Agriculture *[ULTIMA HORA 21 Aug]* 33

Peru

Minister Bolona Fields Economic Questions *[Lima Radio]* 34

Venezuela

Minister Denies Rumors of Uprising at Fort Tiuna *[Caracas TV]* 39
Ministers Comment on New Austerity Measures *[Caracas TV]* 39
Petroven Strike Said '90-Percent Settled' *[Caracas TV]* 39
Foreign Minister on Position at Nonaligned Meeting *[Caracas TV]* 40

Brazil

Rio de Janeiro TV carries the presentation of the Congressional Investigating Committee's (CPI) report on the investigation of Paulo Cesar (PC) Farias read by CPI spokesman Senator Amir Lando. Lando reads about the "legislative recommendations." He says, "we believe it essential to make in-depth changes to Brazil's electoral system" and "recommends changes in the financing of electoral campaigns." Lando covers "the abusive use of economic power" and a "proposal to accept the formation of a permanent mixed commission of control" which is to be "constant and permanent." Lando reads on about "suggestions to modify the financial system," in particular to prevent the practice of using "ghost accounts." and that the Central Bank "have major autonomy... to avoid the political alternatives and the frequently indirect control by the president." Lando presents a summary of the report's conclusions in which "links between" PC and Collor are described. The final chapter addresses the implication of President Collor, who is said to have "received undue economic benefits." The "facts" concerning Collor "may represent common penal crimes" and "may also result in malfeasance." The end of the report reads, "The Constitution punishes dishonest administrations with serious penalties such as suspending political rights, the loss of public position, an embargo of property, and the payment of fiscal compensation."

Haiti

Port-au-Prince radio reports OAS Secretary General Joao Clemente Baena Soares "and a significant portion of the members of the OAS delegation" left the country "after a three-day visit to speed up a solution to Haiti's political crisis." Soares did not hold a news conference to report on the results of the visit and the delegation released a communique "that did not really contain anything special." "Many people," including the head of the presidential committee formed by ousted President Aristide, "do not conceal their dissatisfaction" over the outcome, particularly regarding the maintenance of the embargo against Haiti which many believed would be lifted.

El Salvador

The Farabundo Marti National Liberation Front [FMLN] expressed its "concern over the presence of Honduran soldiers in Chalatenango Department" and called on the Honduran Government and Armed Forces to "withdraw those troops and seek a dialogue to rule out any possibility of war," San Salvador radio reports. Salvadoran media published photographs and reports stating Honduran Army soldiers "are patrolling Zazalapa in violation of a peace agreement" signed by the two countries. President Cristiani said the Salvadoran Government "would immediately file a protest with the Honduran authorities" if the Honduran troop presence on the disputed territory is confirmed.

San Salvador Radio Venceremos informed its listeners that "it is now a legal radio station" which is the "climax of a new phase in the Salvadoran people's struggle for political openness and freedom of expression." On 21 August the National Telecommunications Administration "authorized a frequency for Radio Venceremos" to "broadcast within the nation's territory," San Salvador TV reports. The station's director Carlos Enrique Gonzalvi said the programming "is no longer propagandist...but is based on ideas to achieve the culmination of the peace process."

Cuba

Lezcano: Social Programs Given Priority

FL2108222592 Havana Radio Reloj Network in Spanish 1932 GMT 21 Aug 92

[Text] There is a political will to develop ourselves. Jorge Lezcano has stated: Despite the difficulties we are facing because of the special period, we continue to construct new buildings for the population. This constitutes evidence of a desire and an interest in developing ourselves.

Upon concluding a tour for the purpose of inaugurating construction in La Lisa Municipality, the first secretary of the Communist Party of Cuba in Havana said priority is being given to social programs as a way of assisting the population's efforts to continue moving forward.

Several construction projects for social programs were inaugurated on 21 August in La Lisa Municipality in the capital, among them a workshop for repairing electrical appliances for the home and a consulting room for a family doctor program.

An activity to motivate outstanding minibrigade members who participated in the building of the works in question was held at La Lisa Municipality's center for cultural promotion.

Canary Island Visitors Express Solidarity

FL2108232292 Havana Radio Reloj Network in Spanish 1956 GMT 21 Aug 92

[Text] Council of Ministers Vice President Jose Ramon Fernandez has received, in the capital, a group of 50 tourists from Las Palmas, Grand Canary headed by Armando Sosa, president of the Canario-Guajira Cultural Association. In his remarks, Fernandez highlighted Cuba's efforts to persevere through the current economic circumstances. He also emphasized the severity of the imperialist embargo, as well as the press campaigns against Cuba.

Armando Sosa told Radio Reloj that the people of Grand Canary hold the Cuban people in great esteem and they show daily that they are indeed in solidarity with Cuba. The Canary Islands' tourists donated a statue of Grand Canary's patron saint, the Virgin of the Pine Tree, to the church in the Los Pinos neighborhood of the capital. They will present a donation of medicine and surgical (?instruments).

Cienfuegos Agriculture Plan Successful for 1992

FL2108154492 Havana Radio Progreso Network in Spanish 1100 GMT 21 Aug 92

[Text] Jose Ramon Guerra, Agriculture Ministry delegate in the province, has said that Cienfuegos Province will have no problems meeting its vegetable and tuber plan. Here he is with details.

[Begin Guerra recording] Depending on sales to state enterprises, [words indistinct] no maximum production plan of the people's. The people will receive products directly. As of today, the program has been fulfilled. It will be finished 30 August. Today, we have surpassed the plan by more than 60,000 quintals over the past month. With what has been planted, we can finish the year's plan without any problems. There is, [words indistinct] a total area that has been planted and with this we have more than 170 caballerias of yucca, we have planted a large portion and the other part will remain for the coming year.

The plantain planting was affected by the long July vacation period, but they are now being planted and we are going to finish the plantain plan. We are behind in the planting of boniato, but we will begin to harvest in September. The year's plan is guaranteed without any problems. We have vegetable crops as a backup, which are planted in August and September. These are vegetables that begin producing in November and December such as peppers, cabbage, tomatoes, and squash. We are already preparing these plants and we will begin planting next month. So, there are a number of plants that will produce this year. We are doing this to improve the sales to the state. [end recording]

The enterprises of the Agriculture Ministry delegation in Cienfuegos propose to finish 1992 with more than 1,610,000 quintals in vegetables and tubers.

Isle of Youth Increases Plantain Production

FL2208171592 Havana Radio Reloj Network in Spanish 1433 GMT 22 Aug 92

[Text] To date this year, the Isle of Youth has harvested 40,000 quintals. This figure is almost twice the amount produced in the same period of 1991. The production increase in the 7.5 caballerias of plantains has been accredited to the use of the microjet irrigation system. The increase was evident in the 33 pounds of plantains per capita, which was distributed to the population; a figure that exceeds last year's production.

The numerous construction in 1992, and the investment in localized irrigation systems in the plantain and banana crops on the Isle of Youth, have allowed the conditioning of the soil and resources, in just two months, to plant 10 caballerias in the next winter season.

This agricultural transformation on the Isle of Youth has created the conditions to harvest, according to estimates, more than 100,000 quintals of plantains in the next year. These investments exceed the investments made in the past.

Reforestation Campaign To Produce More Fruit

FL2108134592 Havana Radio Rebelde Network in Spanish 0900 GMT 21 Aug 92

[Text] Ciego de Avila residents are to collect approximately 15 million timber-yielding and fruit plants,

including seeds still to be germinated, in the current reforestation campaign. The work developed by the province is going well and the plan to plant up to more than 22 million trees is to be finished by the end of September.

The plantings which include saplings, seeds planted directly in the furrows, and trees, is being done in the midst of the 10 municipalities' efforts to take advantage of the moisture in the soil at this time. At least 20 percent of the trees are fruit trees, among which are: mango, coconut, mamey, (mistro), guava, annona, and others. The commission responsible for this work in the provincial assembly of the People's Government in Ciego de Avila, said that the Majagua, Primero de Enero, and Florencia Municipalities are ahead in completing their plan.

Haiti

'Disappointment' Expressed Over OAS Results

PA2408190692 Port-au-Prince Radio Soleil Network in Creole 1100 GMT 24 Aug 92

[Excerpts] The first item in our newscast is that OAS Secretary General Joao Clemente Baena Soares and a significant portion of the members of the OAS delegation left Haiti on the afternoon of 21 August after a three-day visit to speed up a solution to Haiti's political crisis. Contrary to what he announced on arrival at Port-au-Prince airport, Mr. Soares did not hold a news conference to report the results of the delegation's work. The delegation issued a simple communique that did not really contain anything special, but mentioned things that people are used to hearing in Haiti such as respect for human rights, making the Army a professional organization, and other issues. The communique did not say anything about what the OAS mission had noted during its visit or what action ithas taken...[pauses] or what it will do with the information it has received.

Although journalists asked him if any decision had been made concerning the embargo, Guillermo Belt, who read the OAS communique, said that he could not give them any information about that. Another member of the delegation, U.S. Ambassador to the OAS Luigi Einaudi, straightforwardly said the embargo would be maintained against Haiti.

Many people do not conceal their dissatisfaction concerning the OAS delegation's initial results. Those who believed the mission would announce when the embargo will be lifted and those who thought that Soares came to defend the ousted president are very disappointed. The first to discuss this disappointment was the head of the presidential committee that was formed by Father Aristide. He pointed out that the OAS delegation only condemned the assassinations this past 17 August of three young partisans of the deposed president.

In preparing for this mission, Joao Baena Soares wrote to the UN secretary general to ask him to send two representatives to join the OAS delegation. Mr. Butrus-Ghali agreed. Francisco Vendrell and Nicole Lannegrace came to Haiti along with the other members of the OAS delegation. [passage omitted]

During their visit, the OAS mission met with representatives of several groups such as the presidential committee that Father Aristide formed, the Army general staff, the parliament, the Haitian Episcopal Conference, representatives of the Protestant Church, representatives of voodoo followers, the head of the Consensus Government, and private sector representatives. Mr. Soares and some members of the OAS mission left on the afternoon of 21 August. The rest of the delegation will, however, stay in Haiti longer. It is expected that they will leave... [pauses] it is expected that a portion of those people will reinforce the OAS staff in Haiti. The others will continue to meet with other groups in the country. It has not been said whether the rest of the OAS delegation will visit the provincial cities or when they will leave Haiti.

Peasant Movement Members Arrested in Chantal

PA2408193292 Port-au-Prince Radio Metropole in French 1045 GMT 24 Aug 92

[Excerpts] In the country's southern region, our correspondent reports the arrest of four people who are members of a mass organization. Our correspondent in Les Cayes has the following report:

[Begin Duperval Joseph Frank recording] Members of MPM, the Melonia Peasant Movement, in the sixth section of Chantal have had difficulty lately. Soldiers in the south arrested four members of this movement on 22 August at around 0800 GMT. When the military arrived in the area, they shot in the air, creating tension in the neighborhood. Right now fear has spread throughout the area, according to a resident of the section, who asserted that many other members of this peasant movement are hiding, among them Mr. Aloud Jean-Louis, the movement's leader, who left to avoid possible repression. [passage omitted]

Other sources report that many people were arrested in Foremont, not far from Forteresse Platon. The source did not specify the reasons for these arrests.

The MPM is one of the peasant organizations that is backing the lavalas operation. Duperval Joseph Frank, Les Cayes, for Radio Metropole. [end recording]

U.S. Aircraft 'Violated' Airspace in Sonora

PA2206033592 Mexico City XHTV Television Network in Spanish 0200 GMT 22 Aug 92

[Text] Three days ago two U.S. military aircraft apparently violated Mexican airspace. The aircraft entered Mexican territory in Sonora State. The charge was made by Manuel Bravo Solorzano, municipal president of the border city of Naco, Sonora.

Solorzano charged that three days ago two U.S. military helicopters crossed the border, apparently in pursuit of illegal immigrants, and reached the area where the municipal palace is located.

In view of Solorzano's charge, Governor Manlio Fabio Beltrones received Gregory Frost, the U.S. consul in Hermosillo. Frost offered to carry out the pertinent investigations to clear up the situation and, if warranted, he would make an apology to correct the error.

[Begin Beltrones recording] Yes, I have heard the charges made by the Naco municipal president. In his visit the U.S. consul told me of his desire to make the pertinent clarifications and, if the situation warranted, he would in a timely manner make the respective apology to correct the error. [end recording]

The U.S. consul in Hermosillo explained that his country's government will respect Mexico's national sovereignty and that the official results of the investigations will be announced on 24 August.

Serra Puche Says Agreement Will Create Jobs

PA2108142492 Mexico City XHTV Television Network in Spanish 0200 GMT 21 Aug 92

[Text] A framework agreement for free trade signed by Mexico and the Central American countries on 20 August in Nicaragua will sponsor the creation of jobs on the isthmus, according to Commerce and Industrial Development Secretary Jaime Serra Puche. Central American officials and analysts agreed nations on the isthmus have yet to prepare for the challenge of a commercial opportunity and should do so gradually.

The multilateral framework agreement for a free trade program between Mexico and Central American countries was signed in Managua. The economy ministers of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua and Jaime Serra Puche, Mexican secretary of commerce and industrial development, signed the accord establishing a frame of reference that will be used in bilateral negotiations between these two regions.

Each of the five Central American nations must negotiate with Mexico the exact way in which they will mutually free their trade and grant access to their respective markets.

[Begin Serra Puche recording] We have agreed on the process to free products, which will eventually lead to free trade, meaning there will be no tariffs or customs barriers between our countries. A country's merchandise will have free access to the other country's market, after a transition period. [end recording]

Jaime Serra Puche emphasized prevailing interest in increasing and diversifying reciprocal trade to the highest levels possible.

[Begin Serra Puche recording] The negotiation we have just completed specifically strives to diversify markets. We are talking about different markets. The North American market is a much more mature market and the Central American market is a less mature market. Different types of market can be used. This is what we are seeking for our exporters. [end recording]

The strengthening of economic and commercial relations between signatory countries will result in great benefits for the region, the minister added.

[Begin Serra Puche recording] It was said during the negotiation process that everyone should win, meaning jobs should be generated throughout the region, the Central American region and Mexico. Why? Because if we unite we will be more competitive and complement each other. [end recording]

El Salvador

Cristiani Interviewed on Peace, Demobilization

PA2508015292 San Salvador TCS Television Network in Spanish 1317 GMT 24 Aug 92

[Interview with President Alfredo Cristiani on the "Face to Face" program, hosted by Ricardo Echeverria and Gisela Bodewing, in San Salvador—live]

[Excerpts] [Echeverria] It is now 0717. We are initiating our "Face to Face" program on this our fifth anniversary. Today we have the honor and privilege of the presence of President Alfredo Cristiani, whom we thank for being with us this morning. Good morning.

[Cristiani] Good morning. It is a pleasure to be here with you once again. I want to congratulate the TCS family for one more year of work.

[Echeverria] Thank you. The Salvadoran people have a number of concerns regarding several topics currently being discussed in our country's political, economic, and social circles. First, the greatest achievement of the Nationalist Republican Alliance government has been to attain peace. Much has been said regarding the peace agreements. People have been talking about the visit of UN Under Secretary General Marrack Goulding. Some said repeatedly that the process was going through a crisis. A deadline of 16 September was being given. What can you tell us about this, Mr. President?

[Cristiani] We could foresee certain things and perhaps this is something we must say now. The peace process includes a timetable for the fulfillment of the different agreements. If we take a close look at the agreements, we can see that this is an ideal, especially in certain sensitive matters. What has happened is that the fulfillment of several of the agreements has been delayed, for example the creation of the National Public Security Academy, programs for the reintegration of the former fighters of the Armed Forces and the FMLN [Farabundo Marti National Liberation Front]. What we tried to do when Mr. Goulding arrived was to reschedule our timetable with certain specific dates so that we could initiate work in those areas that have fallen behind schedule.

We need to promote and push forward the fulfillment of the government and FMLN commitments. Our intention has always been to totally fulfill the agreements by 31 October, according to schedule. This is what we were able to achieve when Mr. Goulding visited. Certain points were left pending after his departure but we were left with an agreement in which we maintain the 31 October deadline and reschedule certain dates. What the United Nations will do on 16 September is come here to evaluate the progress made since the rescheduling of the agreements.

[Echeverria] One of the points the FMLN mentioned is that they would not demobilize because the government had failed to carry out the promises made during the reintegration process. Does the government have sufficient funds to meet their demands?

[Cristiani] The government almost has the funds that will allow us to reprogram the fulfillment of some of these agreements. One of the commitments about to be fulfilled is the short-term programs for the reintegration of former FMLN fighters. You have seen that in the past week we have been handing out supplies to them. The problem actually lies in a lack of resources. Even though the commitments made by friendly countries are firm—the EEC has already signed four agreements—the funds have not reached the country so that we can initiate the implementation of the programs. We trust that with what we have agreed on during Mr. Goulding's visit we will be able to fulfill the different reintegration programs and the second FMLN contingent will begin demobilizing once these programs have been implemented, around 20 September. In this regard, I am sure we will be able to meet our obligations, both to the former FMLN fighters and the Armed Forces.

[Bodewing] In today's newscast we saw a report in which you, Mr. President, said the government has allocated 70 million colones for the purchase of property for demobilized people. Where did this money come from? Are they government funds or donations? As for the donations from friendly countries, when can we expect them?

[Cristiani] The 70 million colones that are currently available are mixed funds. The sum includes AID funds for the Land Bank programs, which have to do with land transfers. This program has suffered a specific delay because the FMLN has failed to turn over its inventory for verification. You may recall that it took them several months to make a decision and it was not until a short time ago that we were able to initiate the property verification.

We will be able to start with a few verified state properties, properties that belong to the state, in September and the 70 million that is already available can be put to use. It is, however, very difficult to give dates as to when the rest of the funds will be available. We already have approximately 300 million colones earmarked for the land transfer program: 150 million for former FMLN combatants and 150 million for former Armed Forces combatants. All our agreements with the AID and the EEC, which are the two organizations that back this program, clearly state that each sector will receive at least 50 percent of the benefits.

[Bodewing] Another point in the compliance of the agreements, and one which the government has stressed greatly, is the FMLN weapons inventory. It has been said that the weapons turned in were old, that modern, well-oiled weapons have been found in several places, and that the guerrilla [words indistinct]. General Mauricio Vargas made the same observations. What is going to be done in regard to the weapons inventory, which you consider [words indistinct]?

[Cristiani] The FMLN has agreed to supplement the weapons inventory it presented to the UN Observers for El Salvador [ONUSAL]. It will also start to bring the remaining arsenal to the ONUSAL control zones on a set date.

We have been concerned over the fact that the FMLN was not giving the right information or the correct weapons. Several arms caches have been found that had been prepared obviously to be kept enclosed for a long time. The weapons were oiled, covered with plastic, and buried in wooden barrels or plastic bags.

ONUSAL had some reservations about the inventory, pressured the FMLN in this respect, and has reached the agreement that the FMLN will comply properly with this point on a scheduled date. This matter is very important for us because it is the principal point that the FMLN has to keep. The FMLN has to do away with all its military structure because, if not, it cannot participate in politics. This is clearly stipulated in our Constitution. We have to make certain that the majority, if not all, of the weapons—it is very difficult to obtain all the weapons, as we have seen in peace processes in other parts of the world—are made available to be destroyed at a later date.

[Echeverria] There has been a lot of speculation about a possible FMLN mobilization because they are armed. You have said that the changes have been scheduled to start on 20 September and that they will demobilize according [words indistinct]. Does this, in any way, endorse the FMLN's justification that it was not demobilizing because the government had not complied with the agreements?

[Cristiani] The FMLN had only one reasonable justification. It was that the government had been unable, because of a lack of resources, to comply with the short-term reintegration programs, as they are called, until just last week. In this sense, it was understandable that the FMLN was reluctant to move a number of former combatants from their zones as no programs were in progress and this caused certain difficulties.

We now have all the short-term programs available. The Agriculture Development Bank even has funds for agriculture credits. We have contracted (?Copadi) [expansion unknown] and other organizations to give training courses and due payments have already been made. We await explicit information from the FMLN to be able to design the courses. In sum, we are ready and the new agreement stipulates dates and includes the fact that the reintegration programs are already in progress. Thus, this justification can no longer be used.

[Echeverria] Since we are on the topic of land, some time ago you held a seminar to discuss the issue. I recall that during that seminar Eduardo Barrientos stressed that too much money would be needed to at least buy the inventory that the FMLN has been reducing. How are you going to solve this problem if you do not have the money?

[Cristiani] That is the work of the special agrarian commission. That commission was appointed by the National Commission for the Consolidation of Peace to check the inventory presented by the FMLN. It is obvious that the inventory does not only include the land mentioned in the agreements. Much of that land will be removed from the inventory and will be handled by the rightful owners within the voluntary sale and purchase plan. This would be land for fighters from both sides.

What Barrientos was talking about and what is perhaps a decision or strategy of the FMLN, is the inclusion of much more land than that specified in the agreements. This must be discussed since this is precisely what is hindering the verification process. The FMLN did not limit itself to privately owned land. These are lands that the owner may not have worked or visited for security reasons. This land was occupied by people like the repatriated and others who supported the FMLN and who planted grain to feed their fighters. Those people are also included in the plan to get land. The FMLN is now asking for a whole lot more land and that is what the special agrarian commission is looking into. The request must be in accordance with the agreements and the spirit of the agreements. [passage omitted]

[Echeverria] Can we conclude this program by saying that 31 October is the deadline for the complete demobilization of the FMLN and for the fulfillment of part of the agreements involving the government?

[Cristiani] According to the latest document that is now in ONUSAL's hands, 31 October is the deadline for the complete demobilization of the FMLN and the total destruction of their weapons. [passage omitted]

Cristiani on 'Alleged' Honduran Troops at Border

PA2508000592 San Salvador Radio Cadena YSU in Spanish 1800 GMT 24 Aug 92

[Report by David Rivas]

[Excerpts] President Alfredo Cristiani said on 24 August that the Salvadoran Government would immediately file a protest with the Honduran authorities if it is confirmed that Honduran troops are on the territory being claimed by the two nations.

On 24 August the Salvadoran media published photographs and reports stating that there are Honduran soldiers in the community of Zazalapa, which is approximately 115 km north of San Salvador. Zazalapa is in one of the six territorial belts under dispute between El Salvador and Honduras.

A group of Salvadoran reporters who traveled to the border region over the weekend of 22 August reported that Honduran Army soldiers are patrolling Zazalapa in violation of a peace agreement signed by the two Central American countries.

President Cristiani has announced that on 25 August a Salvadoran commission will travel to Honduras to meet with authorities and investigate the alleged presence of Honduran soldiers in the disputed territory.

If such a military presence in the area is confirmed, we would immediately file a protest to the Honduran Government, President Cristiani stated. The president recalled that the two countries committed themselves to not having any military presence in the approximately 450 km in dispute.

The International Court of Justice at The Hague will issue a ruling on the border issue on 11 September and put an end to this case. In July 1969, the two countries waged the 100-hour war, or Soccer War, in response to the tensions that border differences had produced.

The following are statements made by President Alfredo Cristiani during a news conference today at the Government Palace. [passage omitted]

[Begin recording] [Unidentified reporter] Good morning, Mr. President. I would like to know about the alleged presence of Honduran troops in the disputed territory. Could that create friction between the Salvadoran and Honduran Governments? My second question has to do with the rescheduling of the agreements. The government and the Farabundo Marti National Liberation Front [FMLN] have less than one month to comply. Do you think compliance is still possible?

[Cristiani] Regarding your first question, we cannot anticipate what kind of attitude the problem may generate. All countries are sovereign, and the mobilization of troops within their territory is a domestic affair, a right all countries have.

Based on the disposition we have sensed in the Honduran Government, specifically in President Callejas, we do not believe this situation represents any kind of danger. However, as I have said, there will be a meeting tomorrow to clarify the situation. [end recording]

President Cristiani also referred to the increase in the violence rate, a situation that the church, the left, and humanitarian groups have reported. President Cristiani said leftist groups, including the FMLN, have been waging a campaign against the government based on some cases that have included attacks on FMLN members. Cristiani stated: We have tried to investigate thoroughly all charges, and it has become evident, in most cases, that attacks have been carried out by common criminals. They are not the result of an organized effort carried out for political reasons. [passage omitted]

FMLN 'Concern' Over Presence Noted

PA2408234992 San Salvador Radio Farabundo Marti Network in Spanish 1800 GMT 24 Aug 92

[Text] The Farabundo Marti National Liberation Front [FMLN] stated its concern over the presence of Honduran soldiers in Chalatenango Department and called on the Honduran Government and Armed Forces to withdraw those troops and seek a dialogue to rule out any possibility of war.

Fermin Zelayandia of the FMLN Political Diplomatic Commission told the NUEVA IMAGEN news agency that the governments of both Honduras and El Salvador are committed to respecting the ruling of the International Court of Justice of The Hague with regard to the border dispute.

Leaders of the [words indistinct] association confirmed on the weekend of 22 August the presence of Honduran soldiers in Zacatapa, which is close to Arcatao and is one of the areas being disputed by Honduras and El Salvador.

The FMLN diplomatic representative reiterated that the Honduran soldiers in Chalatenango Department should withdraw to avoid making contact with FMLN troops stationed in that department.

Zelayandia said the presence of Honduran troops was registered in areas controlled by the FMLN and that, if the situation gets more serious, the first contact they will have will be with troops of the National Army for Democracy that are concentrated in Chalatenango Department.

Radio Venceremos Announces New Legal Status

PA2308042092 San Salvador Radio Venceremos Network in Spanish 2125 GMT 21 Aug 92

[Text] Radio Venceremos would like to inform its listeners that it is now a legal radio station. We have just received a note from the National Telecommunications Administration, ANTEL, granting us legal status. We believe this is the climax of a new phase in the Salvadoran people's struggle for political openness and freedom of expression.

We thank all our people, who are the real builders of this new phase in Salvadoran radio broadcasting. We will have more details in a moment. Radio Venceremos has been granted its legal status on 21 August 1992. Undoubtedly this day will go down in history because today Radio Venceremos became a legal radio station.

Programming 'No Longer Propagandist'

PA2208181292 San Salvador Canal Doce Television in Spanish 0300 GMT 22 Aug 92

[Text] On 21 August the National Telecommunications Administration, ANTEL, authorized a frequency for Radio Venceremos.

[Begin recording] This is Radio Venceremos transmitting from San Salvador and as of this hour, 1519 [2119 GMT] on 21 August, Radio Venceremos wishes to inform its listeners that it is now a legal radio station. [end recording]

After 12 years in hiding, the main radio station owned by the FMLN [Farabundo Marti National Liberation Front] was finally given legal status to broadcast within the nation's territory.

On 21 August ANTEL approved the historic radio station's frequency. It will transmit on 100.3 frequency modulation, known as FM. The station's director [Carlos Enrique] Gonzalez, a Venezuelan and the station's founder, explained how legal broadcasting—that is to say, in accordance with the country's laws—became possible.

[Begin Gonzalez recording] I attribute our radio station's legalization to a lengthy struggle by various social sectors, including the journalists, but mainly by the people who for years built our stations by penetrating the war fronts to carry gasoline and batteries and by the comrades whose blood was shed so this utopia, this communication plan they dreamed of, could become what it is today. [end Gonzalez recording]

This radio station, now transmitting from the capital city, broadcasts from 0500 until 2300. Its programming, Gonzalez asserts, is no longer propagandist or pamphlet like, but is based on ideas to achieve the culmination of the peace process. Here are some of the station's most stirring experiences.

[Begin Gonzalez recording] One was on 10 June 1981, the first time Radio Venceremos went on the air, broadcasting from La Guacamaya in Morazan Department. Another was 16 January 1992 when we walked across the square, surrounded by the love of our people, receiving their hugs, their crumbled hands. These were the most compelling, emotional moments for us. [end recording]

Radio Venceremos is undergoing a difficult financial situation. International organizations have ceased to send aid and September will be a key month for the sustenance of the station, which will have to compete with many other stations in the search for sponsors.

Killer of Union Leader Ramirez Identified

PA2208162192 San Salvador LA PRENSA GRAFICA in Spanish 21 Aug 92 p 3

[Excerpts] David Armando Flores, alias Pupusa, has been identified as the man who murdered Salvador Ivan Ramirez, Salvadoran Workers National Union Federation secretary in charge of conflicts, at a bar in Mauferrer Escalon neighborhood, San Salvador, early on 31 July. [passage omitted]

The Crime Investigation Commission has opened an inquiry. One of the most important clues is the picture of a group in which Flores appears. According to witnesses, the picture, which was taken a few minutes before the crime was perpetrated, was left behind when the group fled. Witnesses identified Flores as the person who fired the fatal shots. [passage omitted]

Poll Shows Preferences for 1994 Elections

PA2508161692 San Salvador Canal Doce Television in Spanish 0300 GMT 24 Aug 92

[Report by Graciela Melendez]

[Text] The Technological University has conducted a poll on issues of nationwide interest to contribute to the country's reconstruction. Professor Beatriz de Carrillo, in an interview with the "Up-to-Date" newscast, said 3,000 people of various social classes were polled.

When asked why they would vote for in the 1994 elections, the results were as follows: [Nationalist Republican Alliance President Armando] Calderon Sol, 16.4 percent; [Legislative Assembly Vice President Ruben] Zamora, 11 percent; President Alfredo Cristiani, 10.8 percent; [Farabundo Marti National Liberation Front, FMLN, Commander Joaquin] Villalobos, 8.9 percent; and [FMLN Commander Jorge Shafik] Handal, 4 percent. This shows the citizens are monitoring the behavior of politicians, Dr. Carrillo said.

[Begin Carrillo recording] People are paying close attention to what is happening; I would say they are interested in the developments. This is reflected by their answers to the last question on the poll: Is it good to vote? A very high percentage said it is good to vote, that is, they want their opinions heard. I think, for example, the FMLN and the government should hold more direct dialogues with the population. [end recording]

The university professor added that the people agree the armed forces should exist, but think its size should be reduced. As for the Gallup Poll, she said it is not significant.

[Begin Carrillo recording] It pleases me that the polls conducted by the Central American University [UCA] and Technological University have a lot in common, without, of course, having been coordinated efforts. There is one difference, however: A larger sector of the population refused to answer the questions posed by the UCA team. [end recording]

Dr. Beatriz de Carrillo said the people are worried about the high cost of living. Of the 3,000 polled, 2,970 stated the country's economic situation is precarious.

Guatemala

Government, Guerrilla Negotiations 'Interrupted'

PA2408134792 Mexico City NOTIMEX in Spanish 0426 GMT 24 Aug 92

[Text] Mexico City, 24 Aug (NOTIMEX)—The negotiations on human rights between the Guatemalan Government and guerrillas were interrupted on 23 August without any agreement being reached, official sources have reported.

The same sources added that the lack of flexibility on the part of the Guatemalan National Revolutionary Unity (URNG) prevented the parties from achieving progress on the issue of international human rights.

The rebels, they said, are thinking more about the human rights resolution to be issued in the next two days in Geneva, Switzerland, than in the negotiations, because they believe that if an agreement is signed it would prevent those involved from making a condemnation of that Central American country on the issue of human rights.

The sources said the guerrillas wanted the 23 August meeting to review aspects of topics that have already been signed "and those that cannot be," they added.

The rebels argued that a review was necessary, because the proposal of conciliator Msgr. Rodolfo Quezada Toruno contradicts points on which there is agreement.

International human rights, which includes the subtopics of PGW's and the recognition of the rebels' belligerence, is one of the 11 points comprising the human rights topic, which thus far has not been resolved by the parties.

The negotiations which began here on 22 August have been taking place in a climate of great tension and secrecy and have been the shortest in this process.

The signing of an agreement on the human rights topic would have been beneficial, not only for the peace process, but for the government of President Jorge Serrano Elias, of which the UN Human Rights Commission will begin a study on 26 August.

Serrano Rules Out Civilian Sectors in Talks

PA2508041792 Guatemala City PRENSA LIBRE in Spanish 24 Aug 92 p 3

[Text] President Jorge Serrano Elias believes that the peace negotiations must be held between the government and the URNG [Guatemalan National Revolutionary Unity] and it is not possible for civilian sectors to join the talks. In a telephone interview with PRENSA LIBRE on 23 August, President Serrano said the civilian sectors' participation is positive, but not at the negotiating table. Serrano said the rules of the game for the talks were established before the meetings began, and adding a third party at this stage would not be good for the negotiations.

The president said the civilian sector already participated in the national dialogue convoked by the National Reconciliation Commission (CNR), and its contributions have been taken into consideration, not overlooked.

President Serrano accused the URNG of delaying the signing of the peace agreement because at every meeting they insist on discussing topics that have already been discussed. "I get the impression that the URNG wants to regulate the struggle rather than find peace." Serrano stressed. In conclusion, President Serrano urged the rebels to put aside that attitude, make up their mind to end the war they are waging, lay down their weapons, and start working on a political plan they consider appropriate.

Honduras

Callejas on Politics, U.S. 'Meddling'

PA2508020692 Tegucigalpa Voz de Honduras Network in Spanish 1145 GMT 24 Aug 92

[Report on interview with President Rafael Leonardo Callejas by Julio Armando Valdes in Progreso on 22 August—recorded]

[Excerpts] [Valdes] Hondupalma Enterprises celebrated its 10th anniversary on 22 August. Hondupalma is located in Guaymas, El Negrito, Yoro Department. The president was the guest of honor. Also taking part in the event were Benjamin Villanueva, minister of finance and public credit, and Tomas Guillen Williams, director of the National Agrarian Institute. [passage omitted]

The president spoke to various members of the media in Progreso on the northern coast. The president, wearing short sleeves, was asked if a third candidate would appear or if he had another candidate up his sleeve to oppose Oswaldo Ramos Soto. He looked at his sleeve and said:

[Callejas] I have no sleeves to begin with. [laughter] This topic has already been discussed. It is our understanding that the agreement that established the Callejas National Recovery Movement decided that attorney Oswaldo Ramos Soto should be the National Party of Honduras' [PNH] presidential candidate. The other groups led by Martinez Solano and attorney Leonidas Rosas Bautista are trying to take part. Have no doubt the PNH presidential candidate will be Oswaldo Ramos Soto. From my personal point of view, he will also be president.

[Valdes] Callejas was asked about the lawsuit in the United States by the American Pacific Company [Ampac]. He replied that this whole matter is tantamount to meddling into our country's internal affairs.

[Callejas] The Finance and Public Credit Ministry has already contracted professional services—both in Honduras and in the United States—for the Los Angeles trial. Our legitimate concern as a state, not as a government, is that the U.S. courts, protected by the U.S. Supreme Court, have now decided that any U.S. citizen that has a dispute—even though the contract may have been signed in Honduras—may transfer the case to a U.S. court, which will issue a ruling, disregarding the laws and sovereignty of other countries.

This meddling into the sovereignty of other countries is taking place thanks to the U.S. Supreme Court. This is a very serious problem for Honduras and for other countries in the world. It is similar to the case of the Argentine Government and U.S. citizens, in which the U.S.

Supreme Court ruled that the trials should take place in U.S. courts and not in Argentine courts. That is what is taking place in the Ampac case. The truth of the matter is that all Ampac deals were made in Honduras, consequently the trial should have taken place in Honduras and not in the United States. The courts are following the U.S. Supreme Court ruling and this has brought about a violation of international and sovereign law.

[Valdes] Regarding criticism of the Honduran legal system made by U.S. Ambassador Cresencio Arcos, has the Foreign Ministry yet reacted officially?

[Callejas] I have not met with the foreign minister and I do not want to comment on this topic until I do. [passage omitted]

UK Cancels 50-Million-Lempira Debt

PA2508014392 Tegucigalpa EL HERALDO in Spanish 22 Aug 92 p 18

[Text] On 21 August Finance Minister Benjamin Villanueva and British Ambassador Patrick Morgan signed a note canceling a loan of approximately 50 million lempiras.

According to the Honduran official's statements, it is a positive gesture from the United Kingdom which, like other developed countries, helps Honduras solve its foreign debt problem.

The debt's cancellation represents a benefit of approximately 50 million lempiras and will directly benefit the Honduran people. It is hoped other countries will follow the example. The United States has forgiven $434 million, Switzerland $11 million, and the Netherlands $4 million. The United Kingdom canceled $9 million on 21 August when a note was signed turning the loan into a donation.

The UK ambassador said the agreement was signed because his country recognizes the efforts exerted by the Honduran Government to "put the country's economy on a sound basis."

The loan was granted in 1980 and was used to buy equipment for the new hospital in Roatan, potable water pipes, laboratory equipment, and drilling equipment.

Panama

Caution Urged in Trade Agreement With Mexico

PA2408162292 Panama City EL PANAMA AMERICA in Spanish 24 Aug 92 p 1

[Report by Arnulfo Barroso Watson]

[Text] Commerce and Industries Minister Roberto Alfaro has said that this is not the best time to negotiate a bilateral free trade agreement with Mexico. He added that before such a decision is made, it must be discussed with the country's economic sectors.

Alfaro said that once such discussions are held, Panama immediately would begin to negotiate a free trade agreement with Mexico, a process that would take approximately three months.

Last week, the Governments of Guatemala, El Salvador, Costa Rica, and Nicaragua signed a framework free trade agreement with Mexico in Managua. This will permit those countries to sign bilateral free trade treaties with Mexico in the future.

A source in the government of President Guillermo Endara said that Panama views the agreement with concern because our country has yet to complete its economic integration with Central America.

The National Council of Private Enterprise has expressed its opposition to the signing of a free trade agreement with Mexico because it believes it will harm Panama's economy.

According to Commerce and Industries Minister Alfaro, this is why the Endara government has acted responsibly and has not made any decision. "We must first analyze this situation," he said.

The diplomatic relations between the governments of Endara and Carlos Salinas de Gortari had remained tense as a result of the U.S. military invasion of Panama and statements by the Panamanian president about Salinas de Gortari's party, the Institutional Revolutionary Party.

Attorney General Comments on Hernandez Case

PA2508033792 Panama City Circuito RPC Television in Spanish 2300 GMT 24 Aug 92

[Excerpt] Attorney General Rogelio Cruz has not ruled out the possibility that the persons involved in the killing of U.S. soldier Zak Hernandez could be tried in a U.S. court if they are apprehended. On 24 August Attorney General Rogelio Cruz and U.S. Ambassador Deane Hinton signed a letter of understanding to allocate $35,000 in U.S. Government funds to support the task undertaken by Conapred [expansion unknown] to educate people about the struggle against drug abuse. Following the signing of the agreement, Attorney General Cruz talked about the situation of Pedro Gonzalez, Roberto Garrido, and Daniel Batista, the three men involved in the 10 June shooting of U.S. soldier Zak Hernandez. According to the attorney general, these three men who are currently on the run could be tried in a U.S. court.

[Begin Cruz recording] If they surrender to Panamanian authorities, there is no doubt that Panama cannot hand them over to a foreign court. However, if they do not surrender and continue to run, and if the U.S. authorities should arrest them before we do, then it is evident that, as with Manuel Antonio Noriega, the Panamanian authorities would not be able to take over. [end recording] [passage omitted]

Attorney General Criticizes Prison Conditions

PA2308043692 Panama City Circuito RPC Television in Spanish 1700 GMT 22 Aug 92

[Text] Attorney General Rogelio Cruz has said that hundreds of prisoners who are currently in the Coiba prison have not been brought to trial.

[Begin recording] [Cruz] I believe the mere fact that prisoners are sent to Coiba Island when their cases are still under investigation is a violation of due process and human rights. The fact that prisoners are sent to jail in Colon under subhuman conditions is also a violation of human rights. In other words, the condition of the majority of Panamanian jails violates a basic human right, which is human integrity.

[Reporter] Who is actually responsible for that situation?

[Cruz] The executive branch is fully responsible through the Government and Justice Ministry, specifically through that ministry's Rehabilitation Directorate.

[Reporter] Do our laws establish any punishment for government officials who permit this?

[Cruz] Yes, from a legal standpoint it is abuse of authority, an arbitrariness punished by our penal laws. To a certain extent judicial authorities and the Attorney General's Office have overlooked the situation based on an argument—which in my opinion can no longer be sustained—that there is not enough space in the jails located on firm land which makes it necessary to send the prisoners to the jail on Coiba Island. [end recording]

Fuertes Caminos '93 To Invest in Chiriqui

PA2208213492 Panama City Circuito RPC Television in Spanish 2300 GMT 21 Aug 92

[Text] The U.S. Government will invest over $10 million in the western part of Chiriqui Province as part of the Fuertes Caminos '93 program, which is being carried out in conjunction with the Republic of Panama. Panama will invest only $350,000 in the program. Deputy Public Works Minister Laurencio Guardia says Panama's highway system will undergo substantial improvements.

[Begin Guardia recording] In Renacimiento, 27 km of highway will be repaired from San Andres to Plaza de Caizan, a mountainous, difficult, and very productive area. This will be a tremendous benefit for the region and the country. Also to be repaired are 18 schools and approximately 10 health centers. The program will have an impact on the region. [end recording]

Guardia emphasized that the agricultural sector will benefit the most. Fuertes Caminos '93 will invest millions in the western part of Chiriqui.

Strike Paralyzes Bocas del Toro Province

PA2408160492 Panama City Radio KW Continente in Spanish 1200 GMT 24 Aug 92

[Text] Bocas del Toro Province is paralyzed completely today as a result of a 24-hour strike to protest the government's neglect of that province which borders on Costa Rica. The strike is also to protest the fact that the government has not kept its promises to repair the destruction caused by the 22 April 1991 earthquake. Teachers, students, producers, and workers are participating in the strike to demand action by the government. The strike leaders said the strike might be prolonged if the government does not offer specific solutions.

PCC Administrator on Canal Toll Increase

PA2308135892 Panama City LA PRENSA in Spanish 22 Aug 92 p 2A

[Report by Elio Rujano]

[Text] Panama Canal Administrator Gilberto Guardia has stated the 9.9 percent increase in canal tolls will not diminish the traffic of ships through the waterway as certain individuals have surmised.

According to a transit survey conducted by the Panama Canal Commission [PCC], the increase in tolls is far below the levels that would affect traffic, Guardia said.

"The increase in tolls means we will be able to maintain the maintenance, investment, and improvement programs in the canal," Guardia said, adding "people must realize this increase occurs three years after the previous one. The last increase was implemented in 1989."

The 3.3 percent increase for each of the last three years (1989-92) is needed to keep investment and improvement costs on a level with the latest inflation figures, he explained.

The Panamanian administrator justified the increase in tolls saying the canal's operations would be affected if the increase is not implemented, and this would affect international trade.

The new tolls, proposed by the PCC and approved by U.S. President George Bush, will become effective on 1 October, when the U.S. fiscal year begins.

Referring to "dry canals" (railroads), like the ones that exist in the United States and the one being planned in

Costa Rica, Guardia admitted they are an efficient and favorable competition for the Panama Canal.

Nevertheless, he said most of the cargo handled by those "dry canals" are containers, whereas the canal handles bulk cargo of all kinds.

"Most of the cargo passing through the Panama Canal is not in containers; it is bulk cargo and that is not handled by the land routes," Guardia said.

Nevertheless, container traffic has increased in recent years, meaning the handling of cargo over land routes has not had negative effects, he asserted.

"Consequently, we must not view these alternatives with pessimism. We must simply realize we have to be careful with the policies we implement in the canal, because those other alternatives exist," he stated.

Bolivia

EGTK 'Planned' To Attack U.S. Ambassador

PA2408172592 Madrid EFE in Spanish 1630 GMT 24 Aug 92

[Text] La Paz, 24 Aug (EFE)—The outlawed Tupaj Katari Guerrilla Army (EGTK) of Bolivia planned to attack the embassies of Spain and the United States in La Paz this coming 12 October and stage at least five attacks against Bolivian politicians, the press reported on 24 August.

The information was obtained from statements by three EGTK members, following their arrest by state security organizations and before they were turned over to the court on 21 August. Those arrested are Felipe Quispe Huanca, considered the foremost EGTK leader, and Alejandro Choque and Mario Apaza, his bodyguards, who confessed they planned to detonate a dynamite charge at 0500 (0900 GMT) on 12 October inside the Spanish Embassy in La Paz.

The second attack was supposed to occur that evening in the home of the U.S. ambassador in La Paz, according to the press. Five other attacks reportedly were intended to be staged against the homes of five political leaders of the Bolivian Government. Also, two high tension towers and a telephone plant were to be attacked.

The terrorist attacks reportedly would be accompanied by a document in which the radical, indigenous EGTK would define its position regarding the 500 years "of oppression of the q'aras' (white men)."

Interior Ministry sources noted the importance of the arrest of Quispe Huanca, "Mallku", to prevent the terrorist actions and announced that in the coming weeks they expect to be on the track of 20 EGTK members. Since February the Interior Ministry has arrested 21 EGTK members, most of who belonged to the executive committee and who are waiting to be tried in court.

Reporters To Protest U.S. Charges of Corruption

PY2508011892 La Paz Radio Fides Network in Spanish 1100 GMT 24 Aug 92

[Text] The reporters of El Alto will hold a 24-hour strike and a march on 26 August to protest the report released by the U.S. State Department indicating the existence of corruption among Bolivian journalists.

Julio Mamani, executive secretary of the El Alto Regional Journalists Union, said that if corruption prevails among Bolivian journalists they should be identified by name, and evidence should be made public.

[Begin Mamani recording] We will hold a 24-hour strike and a march in El Alto. We made this decision because the U.S. State Department always is meddling in Bolivian affairs, like the report that some corrupt journalists are receiving money to favor some politicians. We would like to reiterate that [words indistinct] asking to have the courage to make the accusations by disclosing their names. Otherwise the dignity of all Bolivian journalists who are carrying out a noble job will be stained. [end recording]

He also said that leaders of the regional Bolivian Labor Federation, the Neighborhood Committees Federation, and other labor unions will also attend the march.

MIR-New Majority To 'Democratize' for Elections

PY2208211092 La Paz Radio Fides Network in Spanish 1100 GMT 21 Aug 92

[Text] MIR-New Majority [Movement of the Revolutionary Left-New Majority] has pledged by 29 August to democratize the party in order to define its position in favor of Hugo Banzer's candidacy in the 1993 presidential elections. MIR President Oscar Eid Franco said the following:

[Begin recording, in progress] ...in order to have an appropriate and strengthened party to effectively contribute to the governability and the administration of the government of national unity presided over by colleague Jaime Paz Zamora. Second, the [word indistinct] within a framework that demands a winning strategy to elect Banzer in 1993. [end recording]

Brazil

Senator Presents CPI Report on PC Farias

PY2408210392 Rio de Janeiro Rede Globo Television in Portuguese 1313 GMT 24 Aug 92

[Report of Congressional Investigating Committee, CPI, charged with looking into the activities of businessman Paulo Cesar Farias, read by CPI spokesman Senator Amir Lando, at the Petronio Portela Auditorium in Brasilia—live. Audio reception of Lando occasionally is interrupted by station reporter Alexandre Garcia]

[Excerpt] [passage omitted] [Lando] Mr. Chairman and members of the CPI, ladies and gentlemen: In addition to investigating facts, the CPI sought to draw inspiration from everything it came across in order to make some legislative proposals.

The country must change. For this we must get to the root of each problem. Thus, Mr. Chairman, Messrs. members of the CPI, we believe it essential to make in-depth changes to Brazil's electoral system.

I would like to voice certain ideas on this subject which inspired me. Among the many burning issues that the CPI had to deal with, we should not forget the one that may be at the very root of the problems that the committee had to debate: the financing of electoral campaigns, how and why electoral campaigns are financed, what are the main loopholes in our electoral law, and especially how to improve this law. These are issues we cannot ignore, otherwise we run the risk of

remaining in the realm of hypocrisy which is the cause of the impunity and aberrations recently witnessed by all of us.

Thus, we will try to make a succinct analysis of all these matters. First, in order to understand fully the system for the financing of electoral campaigns, we studied the figures, the apalling amounts of money spent on electoral campaigns.

After analyzing the cost of electoral campaigns, we have a basic proposal to create a party fund so that money is allocated legally in the national budget and not obtained from campaign contributions that lead to influence peddling and corruption.

We propose to the Brazilian society to take on this burden directly and not through the current terribly corrupt process, which has corrupted the electoral process to the bone with the few honorable exceptions of those who do not accept this illegitimate procedure. [applause]

The bottom line of this proposal is a draft bill that deserves the attention of the Brazilian Congress. In the middle of all this confusion, and mainly due to the lack of time, we are not prepared to submit the final text, but we have made a point of bringing a text to submit for the perusal of political leaders, because I am certain that if we want to change we must begin by changing the very roots of the electoral process to make sure that those elected represent the true will of the Brazilian people.

Mr. Chairman, there are some considerations on the abusive use of economic power. It is necessary, especially for Brazilian businessmen, to change their thinking. Clear and honest donations may be accepted on behalf of parties, never on behalf of candidates, because we cannot allow these donations to become investments for the creation of blocs capable of influencing everything from state planning to budget allocations.

These things must be changed, or it will be very difficult to change this country. There are various and long considerations that I hope we may be able to discuss at an appropriate time. I also want to point out, Mr. Chairman, that this is a summary of this long....

[Garcia, interrupting] The final conclusion of the report is already available. The last pages refer to President Fernando Collor de Mello. The report states: The president of the Republic has made inappropriate use of his economic advantages during his term in office. The facts can confirm that common crimes were perpetrated, and it is up to the Attorney General's Office to adopt the legal procedure. These crimes also can be considered as a case of malfeasance.

In its final sentences, the report says that the Constitution punishes the acts of improper administrations with the suspension of political rights, cessation of duties, attachment of assets, and repayment to the treasury. Obviously, the report concludes, the facts previously described violate the principles established in the Constitution, and consequently they are incompatible with the dignity, honor, and respect of the post of chief of state. These are the final words in the report.

The conclusion of the report is now being read by Senator Lando.

[Lando continues] ....Your Excellency submitted a proposal to accept the formation of a permanent mixed commission of control. [applause] I agreed with the proposal of Your Excellency, a lofty goal, and especially with the appropriateness concerning this control, which should be constant and permanent. It was not possible to allow the facts to accumulate as occurred, and which this commission was able to prove. If the initial denunciations had been suspended, in principle we would not have been in this mud, which is shameful for the entire country. [applause]

We also are presenting various suggestions to modify the financial system, and above all to prevent those ghost accounts from becoming a recurring practice to conceal the illegal origin of the resources and to evade taxes permanently. We also want to mention an ambitious project submitted by Deputy Cesar Maria on the need to reform the financial system completely, a fact which was not possible. We also want to at least establish that the Central Bank can have major autonomy so that the bank president and board of directors can remain in their posts for at least two years to avoid the political alternatives and the frequently indirect control by the president.

We also have recommendations for the federal revenue office, recommendations especially concerning the traffic control of small airplanes that today are free to fly to any point in the country and abroad. Greater control is required, because we have well-grounded suspicions that this mechanism is used frequently for tax evasion, taxes that our country needs so much. I am not going to read them, Mr. Chairman, because such a reading certainly would be tiresome.

Recommendations were also made to make efforts to expedite some bills being discussed in the Brazilian Congress.

Senate Bill No. 350/91, creating the federal secretariat for internal control as a body linked to the presidency of the Republic, makes the system independent from the bodies controlled by the ministries, secretariats, and bodies linked to them. The appointment of the secretary [of this body] will be approved using the same system used for the attorney general of the Republic, with a two-year term as well.

Messrs. CPI members, Messrs. congressmen: We must prepare the public administration's administrative system for the indispensable changes that Brazil expects through the implementation of the parliamentary system. It is necessary to establish a discipline for this permanent part of the state, a discipline, which, beyond

establishing its responsibilities, will make it aware of its duty to render an indispensable and permanent service to public life.

It is also necessary to take the steps required to expedite Senate Bill No. 351/91, creating an office of the inspector general of the Republic and making other provisions aimed at channeling to the administration projects, suggestions, claims, or charges by the people or organizations. This office will be similar to the ones created in other states of the union.

Senate Bill No. 19/92, redrafting Article 23 of Law No. 8031 of 12 April that created the National Privatization Program [Programa Nacional de Desestaticacao]: Among other things, this article bans the committee's [not further specified] board members, administrators, and [public] servants specified in this article from securing by themselves or through an intermediary shares or assets under the (?PDB [Brazilian Democratic Party]) as well as from participating in the administration of enterprises. This represents a 10-year ban counting from the moment the committee's board members, administrators, and [public] servants leave their post.

Senate Bill No. 42/92 on secret expenditures: Only those bodies whose establishment rules and regulations include secret activities can have a secret budget and allocations. These bodies will be examined secretly by the budget committee and supervised secretly by the National Accounting Office.

In conclusion, [Senate] Bill No. 70/92 on the entering of international treaties to suspend the banking secrecy in the event of violation of public property.

[Senate] Bill No. 90/92 on banning the use of information supplied under specific conditions as evidence against one who gives evidence.

Senate Bill No. 92/92, redrafting Article 2 of the Penal Code that establishes that the initial date for computing the statute of limitations cannot date back to the filing of charges.

[Senate] Bill No. 111/92 on the appointment of the presidents of the federal government's official credit organizations.

Senate Bill No. 116/92, amending Law No. 8443 on the National Accounting Office's organizational law. And, finally indeed Mr. President, Senate Bill No. 120/92, establishing a register office's single number. This bill essentially represents Senator Pedro Simao's contribution that this commission, through its spokesman, adds to its decisions on the legislative bills. These decisions, of course, are subject to the improvement of the entire legislative body of the Brazilian Congress.

These, Mr. Chairman, are our legislative recommendations. The reasons, arguments, and grounds for these recommendations are mentioned at length within our report. We will not be able to read them but, I am certain, they will be of help to experts, to those interested in the reflections of this modest spokesman.

I wish to ask Your Excellency to suspend this session for a few minutes in order to read our conclusions, which are summarized in a few pages. I do not think it will take long.

[Gama] I will call a three-minute recess at the spokesman's request before the CPI's final conclusions are read. The session is hereby suspended for three minutes.

[Garcia] The final conclusions are contained in nine pages which, at the beginning, describe the links between the so-called PC [Paulo Cesar Farias] scheme and the president of the Republic. Then there is a chapter devoted exclusively to Paulo Cesar Farias. The final chapter refers to the president of the Republic, Fernando Collor de Mello. This final chapter is divided into four paragraphs.

The final chapter basically states that: permanently and throughout more than two years in power, the president of the Republic received undue economic benefits. This is stated in one of the last paragraphs of the final conclusions that will be read shortly.

Moreover, the penultimate paragraph reads: Such facts may represent common penal crimes in view of which the attorney general's office alone can start legal proceedings. These facts may also result in malfeasance, in which case citizens have the right to file charges before the Chamber of Deputies. The last lines of the report reads: The Constitution punishes dishonest administrations with serious penalties such as suspending political rights, the loss of public position, an embargo of property, and the payment of fiscal compensation. The aforementioned facts, obviously, contradict the principles upheld by the Constitution and are incompatible with the dignity, honor, and decency of the chief of state's post. These will be the last words in Amir Lando's report.

[Garcia] Senator Lando has begun to read the report's final conclusion. Let us listen to him.

[Lando] The private secretary administered the account of the president...

[Unidentified speaker interrupts] Mr. Spokesman, Mr. Spokesman, I would like to ask photographers to remain within the proper place in order to avoid hindering the vision and work of lawmakers. I thank you for your understanding. Your Excellency may continue.

[Lando continues] The private secretary administered the account of the president. This account was used to pay the expenses of the president and his family. According to Ana Acioli, the account was supplied by Mr. Claudio Vieira.

Ana Acioli also said that not a single cent was ever drawn from the account without the president's authorization. According to a statement by Ana Acioli and a document

signed by her which was shown during a 30 June televised presidential address, this account received deposits from Mr. Claudio Vieira. This claim, however, has not yet been confirmed.

Bank account owners referred to as ghosts made large deposits in this account. These people did not exist, but they had false CPF's [Individual Taxpayers Register]. Extraordinary amounts were paid for the president's personal expenses, for maintenance of Casa da Dinda, for his former wife, his mother, his sister, his present wife, and her secretary.

Several ghosts made deposits in the account of Ana Acioli. Those ghosts were created by the PC scheme, an expression coined by the media to describe a partnership of various people who tried to conceal crimes during the work of the CPI, crimes which ultimately were properly clarified.

Ghosts actually concealed their origin, evading fiscal control.

There is tangible enough evidence that Mr. Paulo Cesar Farias and his assistants created and administered bank accounts through ghosts.

This is unequivocal. It would suffice to note that the account holders gave the address of EPC [Construction and Investment Enterprise], a company owned by Mr. Paulo Cesar Farias, when they opened these accounts. The records also show that Mrs. Rosinete Silva de Carvalho Melanias, the secretary of Mr. Paulo Cesar Farias, was cited in most of the documents of ghost account holders.

Bank managers and employees stated to the Federal Police that Rosinete used to request blank forms to open accounts for EPC employees, and that she used to return these forms completed in the names of ghosts.

Technical handwriting tests indicate that the ghost checks were signed by Rosinete Silva de Carvalho Melanias, Jorge Valderio Tenorio Bandeira de Mello, Severino Nunes de Oliveira, Jorge Ricardo Melanias, Geovani Carlos Fernando de Melo, and Marta Vasconcelos Soares.

Gentlemen, CPI members: Here is a check—the photocopy of a check—which was handed to me by the Mercantile Credit Bank in which ghost Flavio Mauricio signed an EPC check. This check was signed by Rosinete, who also signed EPC checks. I must add that these actions were repeated and thus some accounts were exchanged. Rosinete would either use her real name to sign each authorization of the ghosts or she would sign the name of the ghosts, in her capacity as proxy of the account.

This is concrete proof that Mr. Paulo Cesar Farias and his aides were administering these accounts, but I want to move on, Mr. Chairman. Ghost account holders made deposits not only in the account of Ana Acioli, but also in the accounts of EPC, Brasil-Jet, Claudio Vieira, and Marta Vasconcelos—the secretary of Brasil-Jet—in addition to paying for the personal expenses and other operations of Paulo Cesar Farias. All of this has been more than adequately proven in the chapter on banking operations in the report by Senator Mauricio Correa. There are details, thousands of operations described in that report that the CPI still has at hand. The report establishes a close link between the ghosts, Paulo Cesar Farias, and his companies. The connection is indisputable.

A payment made by Mr. Paulo Cesar Farias to Mr. (Luiz Massesi), the owner of a house leased in Sao Paulo, should be noted. This payment was also made by ghost account holders.

Ghosts went as far as exchanging checks among themselves. In this big plot, Rosinete Melanias signed with her own hand a check from an account owned by a ghost. This check was paid by the bank, like the other check that I showed and that was used for the reverse operation.

Such information make up a sound set of evidence proving that ghosts were created by the Paulo Cesar Farias scheme, and that the ghost accounts were unequivocally administered by him and his assistants.

On the other hand, it should be noted that up until July 1990, the deposits in Mrs. Ana Acioli's account were made by EPC, which also made deposits in the accounts of First Lady Rosane Collor, Mrs. Leda Collor, Lilibeth Monteiro de Carvalho, and other people.

It was only as of the second half of 1990 that ghost account holders began to appear in growing numbers. Up until July 1992, ghosts managed tens of millions of dollars.

The account owned by Ana Acioli Gomes de Mello, who also operated under the name of Ana Acioli or Maria Gomes, was used to pay the president's personal expenses. Under Ana Acioli's strict control, nominal checks were deposited from ghosts Flavio Mauricio Ramos, Manuel Danta Araujo, Jurandir Castro Menezes, Jose Carlos Bonfim, and Carlos Alberto da Nobrega.

In addition, the renovations in Casa de Dinda, which were made by the Brasil Garden, were paid by ghosts, who transferred a substantial amount to the company owners' account.

Maria Isabel Teixeira, the First Lady's secretary, received $598,000 from EPC and two checks from ghost Jose Carlos Bomfin for $107,000 to pay for the furniture for Casa da Dinda. The president's Fiat Elba was also purchased with a check bought by ghost Jose Carlos Bomfin. This check was delivered to the automobile dealer (CVP) by driver Eriberto Franca on the orders of presidential private secretary Ana Acioli.

A fact to be noted is the attempt to make the president appear as if he was not involved in the PC scheme through the so-called Uruguay operation.

Independent of the investigation into the truthfulness of this operation—something that took a long time and that was included in the report; unfortunately, it was not read—independently of the investigation into the truthfulness of the contract and of the loan, because, Messrs. CPI members, the existence of contract documents is quite different from the actual implementation of the operation. [sentence as heard] Despite requests for the documents proving the transfer of the loan, the CPI has not found a single piece of evidence proving the actual remittance of such resources from Uruguay, their arrival in Brazil, and their clear and uninterrupted transfer into Mrs. Ana Acioli's accounts.

Yet, I want to state again that, apart from any analysis on the legitimacy of the loan contract, Mr. Najum Turner's remarks provided the key to disproving the allegation that there is no connection between Mr. Paulo Cesar Farias and the president of the Republic, and that it was Mr. Claudio Vieira who was depositing funds into Ana Acioli's accounts.

The fact of the matter is that Mr. Turner was seeking to deny the link by publicly stating that he or his agents, who were above all ghosts, had deposited funds to several accounts, including those belonging to Ana Acioli. Turner states that he was administering these accounts. To administer means to manage, to control an account. It does not mean to be the holder of an account, but to manage the account and to exercise powers delegated by the holder. In this case, there never was any action taken by Mr. Turner, either by administering or by depositing funds into those accounts. Special consideration must be given to Turner's contention that he was administering the accounts of Ana Acioli and those of Carlos Alberto da Nobrega, Jose Carlos Bonfim, Flavio Mauricio Ramos, Jurandir Castro Menezes, Rosalinda Menezes, Manuel Dantas Araujo, and Jorge Conceicao e Rosimar Francisca de Almeida. Documentary evidence produced by the CPI, which has been mentioned earlier here, has proved clearly that these ghost accounts were administered by Paulo Cesar Farias and his aides. No evidence has been produced to disprove this information.

Therefore, Mr. Najum Turner lied about and forged a public document, which was later used as if it were a true document by Mr. Claudio Vieira before the CPI. Thus, any connection between the loan obtained in Uruguay and Mrs. Ana Acioli's accounts, which were used to pay for the president's personal expenses, has been disproven.

It must be noted that it is absolutely true that the deposits came from the ghost account holders linked to the PC Farias scheme, as well as from the EPC and other individuals linked to the PC scheme. There was never, however, any deposit made by Mr. Najum Turner.

It also has been determined that the EPC paid for the decoration, [word indistinct], and improvements made in the Maceio apartment of Fernando Collor, president of the Republic.

Therefore, it is established that the link between the PC scheme and the president of the Republic obviously exists and remains unchanged. Moreover, the CPI has fully proven that PC Farias, taking advantage of his friendship and the prestige acquired through the president of the Republic, obtained huge amounts of money through the sale of nonexistent services. The invoices submitted to the CPI are unsuitable to endorse the effective rendering of any type of service, because it has been absurdly declared that services worth very large amounts of money were rendered verbally. One thing that is certain is that the EPC does not have a qualified staff to grant technical services.

The contract with Tratex, for example, amounting to $200,000, has every characteristic of a fake deal. The contract was verbal, the services were rendered verbally, the purpose of the contract was vague, it was not even registered—everything about it leads one to believe that it involved more than the rendering of services. It was believed throughout the country—and this was amply reported by the media—that Paulo Cesar Farias was aware of some government plans beforehand.

This fake deal can be proven through legal presumptions based on earlier rulings on similar cases.

The first thing that must be determined in a fake deal is its fake origin. The existence of a fake origin represents a fraud, and this alone is solid evidence of the existence of a fake deal, also known as a non-deal or hollow deal. The proof of this fake deal is based on clues or presumptions. Therefore, it may be indirect and conjectural, according to Espinola.

The existence of illegal, fake deals is usually based on presumptions but in this case, rather than presumptions we have concrete evidence. Therefore, there must be the intention of faking, that is, the intention of making a deal which is illegal or different from the one that really is sought in order to make it appear to be a legal deal. In view of the aforementioned, this report describes the behavior of some of the people investigated by the CPI. I wish to reiterate that in its preliminary report, the CPI fully established that it does not punish, does not typify, does not make any charges. It is the duty of the attorney general's office to make the charges, the judicial branch's duty to punish, and the Senate's duty to judge in the case of malfeasance in office.

Paulo Cesar Farias engaged in a permanent and stable partnership for the purpose of committing crimes over a long period with Rosinete Melanias, (Jorge Bandeira), Severino Nunes de Oliveira, (Jorge Ricardo Melanias), (Geovani Carlos Fernandes), Marta Vasconcellos, and Claudio Vieira. Through the large sums of money deposited in the acounts owned by Ana Acioli, the First Lady, and her secretary—either through EPC or through ghost

account holders—the president was led into not fulfilling his duty of preserving public morality, and avoiding the use of his name for committing crimes of which he should have been aware, particularly because of the amounts deposited in the accounts that were used to benefit him and his relatives.

In the operation, with co-conspirators, in the ghost account network, he [Farias] necessarily engaged in tax evasion, not as the main objective but as an unavoidable by-product.

Farias explicitly introduced himself to various persons and enterprises as if he were speaking on behalf of the president, as in the case of Mr. Antonio Ermirio de Moraes, the above-mentioned Tratex company, and the then Petrobras [Brazilian Petroleum Corporation] President Motta Veiga.

According to his statement to the CPI, Mr. Antonio Ermirio de Moras was convinced that Farias actually had contacts with the president, and for this reason he contracted the service of the EPC for $240,000, services that were not rendered. Yet he did not dare demand that the money be returned, for the same reasons.

The above-mentioned Tratex company, which had financial difficulties, paid $200,000 to EPC in a verbal contract. All indications lead to the conclusion that the objective of the deal was concealed, and that its real objective was to use information on government decisions from Mr. Paulo Cesar Farias.

All above-mentioned persons unquestionably committed fiscal crimes in the management of the ghost accounts.

Considering that it was confirmed that Mr. Paulo Cesar Farias and his partners had enterprises that they controlled or owned abroad—and that such enterprises had interconnecting financial interests, and that they did business in Brazil, necessarily involving the remittance of funds abroad—it is necessary to investigate compliance with the respective regulations under Law No. 7492/86.

The Tratoral company management repeatedly issued copies of invoices that did not correspond to any actual sale, as was shown by administrative investigations performed within the Central Bank.

In connection with some facts, this report could not avoid mentioning the presence of the president of the Republic. Several facts discovered by the CPI are closely and intrinsically related to the chief of the executive branch.

The inclusion of a fact in the report means that the spokesman is aware of its significance. Speaking seriously, there is not a single chance for explaining some facts involving Mr. Paulo Cesar Farias without mentioning the president. Consequently, to avoid mentioning the part linked with the president is equivalent to refraining from making a reasonable analysis of the investigated facts.

If such was the case, the existence of the CPI itself would be meaningless, because it is the CPI's duty to discover the environment in which the facts that it investigated have developed. The CPI cannot fail to do this, under penalty of violating the Constitution.

Consequently, bearing in mind the restrictions that are inherent in this type of report, the most elementary truth is that it is impossible to conceal to the nation that the investigation has made it clear that in more than two years in office, the president has permanently received undue economic advantages, either as bank deposits in the accounts of his secretary Ana Acioli, of his wife and her secretary Maria Isabel Teixeira, of his former wife, of his mother, and of his sister; as financial resources for purchasing goods such as an Elba vehicle; or as improvements in an apartment owned by him at 40, (Estel de Andrada) Street, apartment 1002, in Maceio, which were paid by EPC. Those funds originated directly or indirectly with Mr. Paulo Cesar Farias.

The chief of state consequently has failed to fufill his duty of preserving public morality, and of impeding the use of his name by third persons for the purpose of obtaining unjustified wealth, thus permitting the exercise of immoral practices that were not in keeping with good customs.

Paragraph two of Article 84 of the Federal Constitution sets forth that the president's duty is to exercise the higher management of the federal administration. Article 37 of the Constitution sets forth that management of the federal administration should observe, among others, the principles of the law and of morality. The importance of those principles has been emphasized by paragraph four of the same Article, which sanctions malfeasance with the strict punishments of suspension of political rights, dismissal, embargo of property, and monetary compensation.

The facts described in this report obviously violate the principles set forth in the Constitution. They are incompatible with the dignity, honor, and respect of the post of chief of state.

Concerning the investigations into the link between the enterprises of Mr. Paulo Cesar Farias—particularly Brasil-Jet and his ghosts—and those controlled by Mr. Wagner Canhedo—VASP [Sao Paulo Airline], (Prata), (Transportadora Badel), and (Viplan)—the CPI discovered an intrinsic business connection among them. Consequently, it is necessary to obtain the appropriate legal evidence and supply them to the VASP CPI, which is operating within the Chamber of Deputies.

I will also submit to the attorney general—in addition to those documents—a copy of a report prepared by the

Kawasair aeronautical monitoring enterprise, so that it may adopt the necessary measures in connection with possible crimes.

It is necessary to obtain a copy of the documents that prove a commercial link between the OM [television station] network and the PC Farias scheme, in order to submit it to the National Secretariat of Communications, the Transport Ministry, and to the appropriate committees in the Chamber of Deputies and the Senate, to investigate the owner of the OM communications network and to look into possible crimes.

Mr. Chairman: The time for preparing this report was too short. It was impossible to produce a more comprehensive report from the abundant material made available to us, even as it refers to the conclusions included in the chapters described but not read, despite being part of this report. The spokesman believes that the final conclusion should include all the conclusions of the chapters of this report, so that the appropriate measures may be adopted, submitting the conclusions to the attorney general or to the appropriate organs of the administration.

Mr. Chairman: We began reading this work by saying, "And ye shall know the truth, and the truth shall make you free." Getulio Vargas once said: "It is almost always easy to find the truth. What is difficult is to avoid escaping from the truth as soon as it is found."

I hope the nation will not escape from these truths. Thank you, very much. [shouts, applause]

Collor Will Make 'A Conciliatory Address'

PY2508034092 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 24 Aug 92 First Section p 4

[Excerpt] [passage omitted] Presidential Spokesman Etevaldo Dias has told someone he trusts that either this week or next President Fernando Collor will address the nation over a radio and television hookup. Etevaldo revealed that it will be "a conciliatory address." The spokesman also revealed that the president will follow the suggestions of politicians and ask the Attorney General's Office to adopt measures against the treasurer of his electoral campaign, Paulo Cesar Farias, and all those people mentioned in the CPI [Congressional Investigating Committee] report.

According to Etevaldo, the ideal tactic is to get PC [Paulo Cesar] under preventive custody, in addition to blocking his bank accounts and confiscating his property. This would divide public opinion and undermine the opposition's chances of continuing its offensive.

This tactic would favor the group of government officials who believe that Collor should enter the scene by requesting PC's punishment. Planalto Palace allies believe that if Collor accepts this suggestion, his defense will be easy and an attempt will be made to uphold the theory that Collor, in truth, was the victim of a "plot" organized by PC and some of his aides. Etevaldo assured his interlocutor that Collor is most confident. The spokesman said: "Those who believe that an atmosphere of terror prevails at Planalto are mistaken; quite the contrary, the president is calm and often even in a very good mood." [passage omitted]

CPI May Summon PC Farias on Pension Funds

PY2408123092 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 24 Aug 92

[Report by Antonio Carlos Silva from Congress]

[Text] Alagoas State businessman Paulo Cesar Farias, PC, will probably be summoned to testify before one more Congressional Investigating Committee, CPI. Having testified before the CPI investigating his activities and before the one investigating the Sao Paulo Airline privatization, businessman PC may have to testify before the CPI investigating pension funds. This is at the request of CPI coordinator Senator Cid Saboia de Carvalho, who also intends to summon former Economy Minister Zelia Cardoso de Mello.

The following CPI testimonies for this week have already been scheduled for 26 August: Engineer Luiz Augusto Tarquinio Pedreira of Consic [expansion unknown], and Jose Brito de Oliveira and Marco Antonio Tristao—who are both officials of the Brazilian Petroleum Corporation, Petrobras, engineering board. Carvalho will on 27 August propose the suspension of bank secrecy on the accounts of those mainly involved and request copies of their income tax declarations and telephone bills.

CPI Proposes Permanent Auditing Committee

PY2408212192 Madrid EFE in Spanish 1652 GMT 24 Aug 92

[Text] Brasilia, 24 Aug (EFE)—The creation of a permanent committee in Congress to audit the government and the implementation of measures to oversee irregular bank accounts are some of the recommendations made today by the committee in charge of investigating government corruption in Brazil.

After 84 days of work, the Congressional Investigating Committee (CPI), which today submitted an explosive final report involving President Fernando Collor in the irregularities attributed to his aides, concluded that urgent measures must be adopted to prevent a repetition of the investigated events.

The CPI report proposes to Congress the creation of a permanent congressional committee made up proportionally of federal senators and deputies to carry out a permanent audit of the budgets debated by Congress and implemented by the government.

The CPI says that there is an urgent need for a permanent watch over national financing to prevent irregularities, misuse of funds, and stealing, all discovered during the investigation.

The report indicates that friends and former aides of President Collor organized themselves around the Collor Administration to "hold up" the state, and that all the projects implemented by the government facilitated the action of corrupt individuals and influence peddlers.

The proposal to create a permanent auditing committee was accepted by the Brazilian congressmen who discussed the possibility of drafting such a bill to be voted on in Congress.

Because it was easy for the people involved in the corruption charges to open false bank accounts and to move millions without control, the congressmen want to discuss a more strict financial code.

In this regard the CPI proposes the automation of the country's entire financial system, the regulation of the foreign exchange market, and the definition of limits in the bank operations that are not reported to the Brazilian Central Bank.

The congressmen also want to propose a draft law authorizing the Economy Ministry to violate the bank secrecy of people being investigated by the government, Congress, or police.

Through these measures the CPI wants to prevent the opening of "ghost" accounts with false identifies or dead people, such as those used by businessman Paulo Cesar Farias, the treasurer of Collor's electoral campaign and the central figure in the accusations of corruption, to deposit money in the bank accounts of the president, his relatives, friends, and political allies.

Presidential Press Secretary on CPI Report

PY2508002692 Brasilia Voz do Brasil Network in Portuguese 2200 GMT 24 Aug 92

[By Luiz Augusto Mendonca]

[Text] Presidential Press Secretary Etevaldo Dias today said the situation will begin to change in favor of the government tomorrow because the government, following the release of the CPI [Congressional Investigating Committee] report, will be able to work based on concrete facts.

Etevaldo Dias added that the CPI will become demoralized on its own beginning with a remark made by PT [Workers Party] Deputy Aluizio Mercadante that secretary Ana Acioli reportedly emptied her account at the BMC [Mercantile Credit Bank] two days before the enactment of a ban on withdrawing cruzados.

The presidential spokesman said the government has evidence that secretary Ana Acioli did not withdraw any cash and that Mercadante acted in an opportunist manner.

Etevaldo Dias guaranteed that the CPI report was received calmly in Planalto Palace.

[Begin Dias recording] Nothing was a surprise. It is a political report, drawn up in the political field, and it will be responded to politically. [end recording]

President Fernando Collor worked normally today. He conducted business with his ministers and participated in a ceremony involving the signing of resolutions deregulating the economy.

Deputy Says Report Does Not Involve Collor

PY2508021592 Brasilia Voz do Brasil Network in Portuguese 2200 GMT 24 Aug 92

[Excerpt] In the opinion of PFL [Liberal Front Party] Deputy Jose Lourenco from Bahia State, the [Congressional Investigating Committee—CPI] report did not prove any involvement by President Collor.

Lourenco said the president continues to have strong support in Congress.

[Begin Lourenco recording, in progress] ...a report, which was expected to announce the president's involvement, the involvement of this and that person and so on. For me, it was frustrating.

The president absolutely is not involved in any episode. At least, there is no evidence. There is a political involvement because the report was drawn up by a political trend, by the PT [Workers Party] and other opposition parties. Of course, they have their viewpoints.

We, through Senator Odacir Soares, will present a document tomorrow that challenges this report and that represents the truth of what is happening in our country.

Therefore, the president continues with strong support in Congress, and the opposition cannot possibly succeed in the political actions that it is trying to develop. [end recording] [passage omitted]

Report Reveals Links Between Collor, PC Farias

PY2408204892 Rio de Janeiro O GLOBO in Portuguese 23 Aug 92 p 3

[Text] Brasilia—President Collor is "undoubtedly" linked to PC [Paulo Cesar] Farias, as is stated in the latest version of the report prepared for the CPI [Congressional Investigating Committee] by Senator Amir Lando (PMDB-RO) (Brazilian Democratic Movement Party-Rondonia). O GLOBO on 22 August learned about this version, which, according to the CPI advisers, includes the final content of the report which is still subject to minor format changes. During an interview in Congress this afternoon, Lando admitted that the report is in an advanced stage, and that just the make-up and the style and grammatical review of the text are still to be made.

In the report, Lando describes the links between Collor and PC, and mentions two facts as the most important evidence of this relationship: The purchase of Collor's

Fiat Elba by "ghost" Jose Carlos Bonfim, and the repair of Collor's apartment in Maceio, for which the EPC [Construction and Investment Enterprise] (a PC firm) paid $164,006—the latest formal bill of sale mentioned in the report was issued on 1 March 1991, almost one year after Collor's installation.

After listing the formal bills of sale issued in the name of EPC by the enterprises which renovated Collor's apartment in Maceio, Lando said: "These documents submitted to the CPI undoubtedly prove the link between Paulo Cesar Farias, who is an EPC partner, and Fernando Collor de Mello."

The report explains that the CPI was not empowered to investigate the president, but notes that in the course of the investigations, the allusions made to the links between Collor and PC during the testimonies gathered by the commission, the CPI was forced to conduct the investigations "in directions that in principle were unthinkable."

Collor's involvement will thus be explained: "The progress of the investigations, which inevitably led to unexpected directions that were impossible to determine in principle, and which finally involved other people, including the president of the Republic Fernando Collor de Mello, was the exclusive result of incidental events related to the investigations."

In the report Lando states that the EPC, PC's major enterprise, had "financial success just when politician Fernando Collor de Mello assumed executive duties at both the state and federal levels." Lando notes that between 1987 and 1990, the activities of the enterprise returned to the owners of Alagoas coinciding with the time when Collor was a governor. After the presidential inauguration, the EPC began to operate with the mega-contractor firm nationwide. Lando said that the EPC "is involved in illegal actions, because it's only objective is the uncontrolled search for quick and easy profits."

In a formal charge against the government, contained in the introduction of the CPI report, Lando implies that "the magicians of the Bolo de Noiva [Foreign Ministry-Annex 2] invented their own ecosystem, an appropriate environment for the growth of a new kind of profiteer." Lando says that "the many public fund brokers infiltrated even the most insignificant daily disbursement of funds."

Lando concludes by saying: "Friends and aides of the electoral campaign who were identified as co-authors of a script [preceding word in English] whose entanglement could not be ignored because of its high financial and moral cost, organized themselves around the president of the Republic. The government measures of 15 March 1990 became a gigantic umbrella protecting shady areas for getting money and making doubtful investments."

CPI Notes 'Unsuspected' Involvement of Collor

PY2408211192 Rio de Janeiro O GLOBO in Portuguese 23 Aug 92 p 3

[Text] In the final report, Senator Amir Lando, CPI [Congressional Investigating Committee] spokesman, explains why President Fernando Collor also was affected by the CPI's investigations:

"The expansion of the overall investigations which, in an unavoidable manner led to unexpected, and in the beginning even to unsuspected directions, and ended up affecting other people as well, including President Fernando Collor de Mello, was due exclusively to coincidence during these investigations."

Senator Lando made a point of explaining that the CPI has never been moved by any personal or political feelings, and that its sole objective was to learn the truth.

Concerning the breaking of the bank secrecy, Lando cites at least five jurists, a collective ruling by the Supreme Federal Court, and the U.S. experience to conclude which is part of a CPI to publish the facts it is investigating, because only by controlling the government will public opinion be calmed down.

Concerning criticisms that the CPI violated the law on publishing documents, Lando refers to the ruling by former Supreme Federal Court Justice Nelson Hungria, who said that no secret is unfathomable if it is used to conceal an illegal action or administration.

• Uruguayan Bank Loan Operation Detailed

92SA0056BA Sao Paulo VEJA in Portuguese 5 Aug 92 pp 22-28

[Text] In an effort to explain how the expenses for Casa da Dinda [President Collor's official residence] were paid, the president's former executive secretary Claudio Vieira ended up confessing to a crime that involves President Fernando Collor. Last week, in two depositions before the CPI [Congressional Investigating Committee], Claudio Vieira denied that the president's car, the first lady's wardrobe, the wages of his servants,and other expenses of the presidential family are being paid by Paulo Cesar Farias. Not at all. According to Vieira, those expenses are all paid from the yields on a deal between Collor and a Uruguayan dollar-trader [doleiro] by the name of Najun Flato Turner, who is being prosecuted for smuggling gold. Vieira's version of the story is that in January 1989 he signed for a loan of $5 million in Uruguay on behalf of Collor and purchased 318 kg of gold so that the then-candidate for president could meet his "expenses during the 1989 campaign." When the CPI was set up two months ago, it was investigating the monetary "condominium" between Collor and PC Farias. It was discovered, in the words of the former secretary, that the president is also involved with a dollar-trader and pays his bills with money raised from ghost companies in a tax haven. It is hard to say

which is worse for Collor: that Vieira has really told the truth or that his testimony is as big a farce as the Uruguayan loan.

After a month of preparation—with the help of Ambassador Marcos Coimbra, Collor's brother-in-law and chief of the civilian household of the presidency; Banco do Brasil President Lafaiete Coutinho; and businessman Alcides dos Santos Diniz, aka "Cidao," a well-known personality in the "Republic of Alagoas" since he and his wife Regina Scarpa spent New Year's Eve of 1990 with Collor at Angra dos Reis—Vieira's testimony to the CPI is a farce. It was fabricated to shift the investigations well away from the president by confusing proven facts and muddling the indications of corruption that had already been gathered. So Collor's salary and income are not enough to pay the expenses at Dinda? A $5 million loan in Uruguay shows up. So the ghost checks deposited into Ana Acioli's account document a happy economic coexistence between PC Farias and the president? Up pops a dollar-trader, who "before going on vacation for about 30 days" registers at a notary's office a statement in which he declares that eight nincompoops identified by the CPI were "proxies" working for him. With the testimony by the former secretary, the investigations of the president have entered a new phase. Before, people were trying to find out how much truth there was in the accusations against Collor. Now they are investigating a lie.

No Notarized Signature

To support his fable, composed of business folly and legal absurdity, Vieira brought with him to the CPI a file of nine documents. According to the longest of these, a loan agreement signed on 18 January 1989—written in English and shot through with legal flaws—a company called Alfa Trading, with equity capital of $50,000 and working out of a modest two-room office in Montevideo, lent $5 million to the then-governor of Alagoas without asking for any collateral. It appears from another document, a promissory note also written in pidgin English, that Alfa Trading was content to have Collor's personal guarantee and that of two friends, deputy and businessman Paulo Octavio and businessman Luiz Estevao. They did not even have to put up a little two-story house in the suburbs as any guarantor would have had to do just to sign an ordinary lease.

Claudio Vieira, who signed the contract on Collor's behalf, was not required to get his signature notarized. If he decides to skip town, the former secretary could allege that his signature was forged. Nor does the loan agreement specify when or how the interest on the loan—which does not fall due until 1996—would be paid. Another strange aspect involves the sum lent. Both the loan agreement and the promissory note refer to a loan of $5 million. According to Claudio Vieira, however, only $3.7 million of this sum was disbursed, which leaves $1.3 million. None of the documents answers a basic question—whether the borrowers will have to pay interest even on the money they did not withdraw, as is the practice in international organizations, or whether they will only have to pay the costs on the $3.7 million. Alfa Trading and Claudio Vieira chose the Alagoan capital of Maceio as the forum for resolving any legal dispute that might arise between the parties. But neither of them took the trouble to register the loan agreement at the Brazilian consulate in Montevideo. Without that formality, the document ceased to have legal validity on Brazilian soil. In Uruguay, too, the credibility of Collor's former secretary's papers is nil. No stamps or seals were affixed, and the form used to certify the signature is not the one used in 1989, when the agreement was supposed to have been signed. Last week, reporter Marcelo Rech of the Porto Alegre newspaper ZERO HORA was able to obtain from Montevideo notaries a set of blank forms identical to the ones shown to the CPI.

Fairy Tale

Received with disbelief by the plenary session of the CPI and with guffaws among foxes in the financial market, the Montevideo fairy tale has another flaw. Even if one admits for the sake of argument that Claudio Vieira's report is true, the story still spatters mud on the president of Brazil. If we are to believe his secretary, Collor compromised himself with one of the country's biggest dollar-traders, whose employees usually go around armed with pistols and rifles and hiding from the police, (see box, p 26). He also got involved in tax fraud, since Claudio Vieira himself did not even declare the loan on his income tax return. It will be up to the government's financial biographers to decipher one basic question, that is, to figure out how Collor, who did not have $5 million in 1989, planned to get rich by 1996, when the bill for interest charges would jack up the unsecured paper to the $8 million mark.

Less than a week after chauffeur Eriberto Francisco Franca told the CPI about Ana Acioli's bank accounts, an effort was launched to mobilize friends of Planalto Palace to help Claudio Vieira fill his pink file folder with documents. Lafaiete Coutinho, bosom buddy of PC Farias, was called upon to render what a state governor describes as "banking advice." That the president of Banco do Brasil set aside his official duties to help with this whopper of a fib is yet another act that adds luster to his resume. Five days after the chauffeur's testimony, Collor's friend Alcides Diniz was also called on to help. He received a phone call from Marcos Coimbra asking him to go to Brasilia and bring his lawyer, Arsenio Duarte Correa. The situation was really serious. Cidao has been on bad terms with his oldest brother Abilio Diniz, head of the Pao de Acucar group, but, in order to be able to make the "extremely urgent" flight to Brasilia, he forgot his family disputes and asked help in chartering an executive jet from Lider because he himself did not have enough stature to "fly now—pay later" in such style. One of Cidao's advisers called the Pao de Acucar group to ask for help, and it was given.

Cidao met with Coimbra after 1100 on the night of 6 July, a Monday. That same day, another friend—

Portuguese attorney Alberto Santos Pinheiro Xavier—landed in Montevideo to begin the work on the other side of the border. Pinheiro Xavier advises the Monteiro Arantes group, which is owned by the family of Celi Elizabeth Monteiro de Carvalho, Collor's first wife. He spent the afternoon talking with jurists, went to Buenos Aires that evening, and returned to Rio the next day. An intellectual with a couple dozen books published in English, Pinheiro Xavier was the brains behind the operation.

Euphemisms

In an opinion that referred, in euphemisms, to a line of credit granted by "a resident abroad" to a "resident in Brazil," without citing any names, Pinheiro Xavier explained a crucial element to Collor's friends. Provided that the loan from Alfa Trading was made in "domestic currency," the president of Brazil and his secretary would be safe from accusations of having committed either a crime against the financial system or foreign exchange fraud. Nor would Central Bank authorization be needed to consummate the deal. Two days later, theoretician Pinheiro Xavier left the scene, and a practical trio disembarked in Montevideo. Accompanying Collor's attorney Arnaldo were Waldo Sampaio Hallack and Fernando Joaz Vieira de Campos, also from Sao Paulo. The gang of three left the airport in search of Vieira's Uruguayan friends, with one mission in mind—to gather documents proving, as Pinheiro Xavier had explained they needed to do, that the deal was *done* in cruzados novos, the currency of that period.

Collor's friends' expedition knocked on some hospitable doors. Ricardo Forcella, who appears on the loan agreement as the man responsible for Alfa Trading, is an old hand at sailing in the murky waters of the Collor administration. Last week, VEJA's assistant editor Marcos Emilio Gomes found proof that Forcella also is familiar with one of the delights produced by Brazilian-style corruption at the federal level—the bribes given against receipt, involving deals with the government (see box, p 24). Forcella volunteered to go to a notary office, where he recorded a statement in which he recalled the terms of the agreement that, according to what Claudio Vieira told the CPI, was signed in domestic currency. Foreign-exchange dealer Emilio Bonifacino made two statements, at two different notary offices, to the effect that he was the one responsible for converting Alfa Trading's dollars into the cruzados novos pocketed by Collor.

It was also crucial to demonstrate that the deal was concluded in 1989, as Claudio Vieira would tell the CPI. The ideal thing would have been to go back to the Brazilian consulate and register the contract. There was a chance of provoking a scandal, however, and so they opted for a naive way out: to convince those involved to show up at a notary office and declare that they had wanted all this time to announce a deal that was made three years ago. Bonifacino attended to it right away. Forcella took longer and did not record a statement with a notary until 20 July. Later, Claudio Vieira himself went to Montevideo, and the three ate steak at the Victoria Plaza Hotel.

The next-to-last step in the operation took place in Brazil. On Friday 24 July, 72 hours before Claudio Vieira appeared before the CPI, dollar-dealer Najun Turner had not yet made his official appearance. It was not until that morning that attorney Sidney Apocalypse, who was connected with the members of the Uruguay expedition, telephoned Ary Mascia, a registrar and notary public at the 24th Notary Office of Sao Paulo. "I have an urgent job for you," the lawyer said. At 1300 that afternoon, Apocalypse took the urgent job over to the notary. It was Najun Turner, who wanted to open a file there to register his signature and also to make a sworn statement at the same time. "I did not want to do that, but he was very insistent, and I ended up agreeing," Mascia recalled. By offering up his own head as leader of a ring of swindlers, Najun aroused suspicions among the other employees of the notary office. "In my opinion as an ordinary citizen, this was all a set-up," said the chief registrar himself, Armando Jose Sampaio. "In all my 37 years as a notary, I never saw such an unusual statement in terms of content."

Who Is That Guy?

That final move in the farce took place on Sunday, 26 July, during a meeting at the home of Marcos Coimbra. There, coached by two lawyers, Claudio Vieira was quizzed at length to keep him from contradicting himself during his testimony to the CPI, scheduled for the next day. Like an actor with stage fright just before the show, the former secretary was required to answer surprise questions posed by his attorneys. Summoned by telephone, businessman Luiz Estevao arrived at Coimbra's house in the midst of the dress rehearsal. He called the ambassador and Claudio Vieira over for a private conversation. Estevao wanted an explanation. "This is what I am going to say," said Vieira, opening a pink file folder. There were the documents he would show to the CPI, including a list of expenses paid for with the gold. The secretary also told Estevao that he would tell the legislators that the president was paying his expenses with the income from the 300 kg of gold that was in the possession of dollar-trader Najun Turner. "Who is that guy?" guarantor Estevao wanted to know. Borrower Vieira said nothing, just showed him a report on Turner. In Barcelona, where he is promoting Brasilia as a candidate to host the Olympics in the year 2000, guarantor Paulo Octavio also admitted that he did not know the president's dollar-trader.

Briefcases

The administration planned to use the Uruguayan gold to build a cofferdam between Collor's money and that of PC Farias. The ploy had the opposite effect. On Friday, Sandra Fernandes de Oliveira, a secretary in Cidao Diniz's office, testified before the CPI and gave a detailed report of the efforts of Dinoz and Planalto Palace to fatten up Claudio

Vieira's pink file folder. The secretary recalled several phone calls to the office from Marcos Coimbra, Lafaiete, and Claudio Vieira himself. Putting together various details, she declared herself convinced that there, in the offices of Cidao's company, a fraud was being perpetrated in order to falsify the loan agreement made by Alfa Trading. Sandra Fernandes was not able to support everything she said with concrete facts, but she did describe an odd event. Ten days before Najun Turner introduced his team of "ghosts" in his statement at the notarial office, the attorneys received a fax from Claudio Vieira with a list of eight accounts that the dollar-trader would later claim as part of his clientele.

Other problems cropped up in Uruguay. Dollar-trader Emilio Bonifacino even declared to a notary public that he had purchased the 8 million cruzados novos that represented the $3.7 million. Last Monday, he gave two interviews in which he said just the opposite. He said he had sent about $2.7 million to an account in New York and delivered the rest of the load, $1 million, to emissaries of Najun Turner at a steakhouse in Jaguarao, 405 km from Porto Alegre. "I delivered the money in dollars, packed in briefcases," Bonifacino said. On Friday, the dollar-trader's ex-wife, Gabriela, who works in the same line of business as her former husband, sought out Brazilian reporters to offer to sell for $100 an interview in which devastating revelations would be made. She did not get any money, but ended up talking anyway. "That transaction never existed," Gabriela told David Friedlander, VEJA's special envoy to Montevideo. "It was all arranged in Brazil. All the papers are fakes. They were produced only a short time ago."

Pension Fund

On this altar where one finds an enchanted dollar-trader, business friends of the president, and Uruguayan bandoliers, the secretary's papers are a mockery. Claudio Vieira maintained that the loan agreement was genuine, but would only hand out copies of the document to the legislators. Only the originals could be used to conduct examinations capable of demonstrating that at least the $5 million loan that turned into $3.7 million is not an improvised fabrication. He also said that he concluded the transaction in domestic currency but did not exhibit any receipt to corroborate his story. But all he would have needed is a simple copy of a payment order.

Perhaps the truth is to be found in the goodwill of Cidao Diniz. With an eye on the accounts in the Previ pension fund that covers Banco do Brazil employees—funds he plans to use to build a five-star hotel in Sao Paulo—Cidao has already hosted an unforgettable New Year's Eve party for Collor, and now he has pulled out his checkbook to protect the deals between the president and his treasurer, PC Farias. The truth is also to be found in the Casa da Dinda checks. Police experts say they have identified only ghosts who worked for PC Farias, like his secretary Rosinete Melanias, who sometimes became Flavio Mauricio Ramos, and have not identified any employee of Najun Turner. The ghosts pay the rent, the light bill, and the servants at Casa da Dinda and PC's house in Sao Paulo. They are supernatural beings, but they belong to the same world as the president, treasurer PC Farias, and former executive secretary Claudio Vieira.

[Box, pp 22-23]

Claudio Vieira's Story and Its Problems

	The Company	The Loan	The Foreign Exchange	The Gold	The Ghosts
Vieira's story	The loan, for $3.7 million, was made by Alfa Trading S.A., owned by Ricardo Forcella, a Uruguayan, in January 1989.	The loan belongs to Collor and was taken out to finance his presidential race. Since there was a surplus in the campaign fund, it was used to pay personal bills.	The dollar proceeds of the loan were converted to cruzados novos, the Brazilian currency at the time, by Uruguay dollar-trader Emilio Bonifacino.	Dollar-trader Najun Azario Flato Turner received the money from Emilio Bonifacino and, on Claudio Vieira's orders, purchased 318 kg of gold.	Najun Tuner is the one responsible for the ghosts who sent checks to pay Casa da Dinda expenses, such as the checks deposited in Ana Acioli's account.
The Problems	Alfa has $50,000 in capital, and its owner does not explain where he got the dollars to lend to Vieira. Alfa is an offshore [preceding word in English] company only authorized to do business in foreign funds. It cannot raise money in Uruguay or make loans there.	Offered as evidence of the loan is a copy of an agreement opening a line of credit in the amount of $5 million, not a copy of the withdrawal. It was not legalized at the Brazilian consulate in Uruguay and so is not valid in Brazil. There are no guarantees for the loan, such as a bank surety bond letter. There is only a promissory note signed by Vieira and co-signed by Luiz Estevao, Paulo Octavio, and Fernando Collor.	In an interview with the Porto Alegre newspaper ZERO HORA, Bonifacino said he delivered a briefcase with $1 million at a steakhouse in the Brazilian city of Jaguarao, near the Uruguayan border. The other part of the loan, according to Bonifacino, was sent to a bank account in New York.	There is no proof of the transaction on the gold market—only a statement by Turner, not recorded at a notary office until last month, that the deal took place. The Commodity and Futures Market, where gold is traded legally, has no record of any transaction by Turner on the date given in the statement as the date he received the money, 26 April 1989. Turner's whereabouts was unknown as of Friday.	On their bank signature cards, the ghosts gave PC Farias's company, EPC, as their address. A handwriting analysis has already proven that one of the ghosts mentioned by Turner, Flavio Mauricio Ramos, is Rosinete Melanias, PC's secretary in Sao Paulo. The same ghosts paid PC's private bills. Many bills for Casa da Dinda were paid with checks from EPC.

[Box, pp 24-25]

Scratch-Off

The same firm that supposedly released $5 million to President Fernando Collor via Claudio Vieira was willing to "cool off" in Uruguay the "hot" money from the bribes paid in the competitive bidding held by the Federal Savings Bank (CEF) to purchase the materials for the instant lottery, known as the "scratch-off" [raspadinha]. A agreement reached in Sao Paulo on 1 August 1990 established a slush fund of 6 percent of the net payments that the Interprint forms factory would receive from the CEF if the firm were to be awarded more than one-third of the contract. The Uruguayan firm selected to receive payment of the commissions was Aliria Finance Corporation, headquartered in the same office space in Montevideo as Alfa Trading. Aliria is administered by Mirta Eliaskevitz. Mirta is secretary to Ricardo Forcella, Claudio Vieira's banker. According to documents obtained by VEJA, Forcella also acts in the Uruguayan market on behalf of Aliria.

The agreement was signed for Interprint by the man who was then its director general, Adolfo Menezes Melito, and by its operations director, Marcos Rosario Bucci. Melito now heads Matec, a teleprocessing firm in the Monteiro Aranha, Ericsson, and Bradesco-Digilab groups. He acknowledged the agreement. "That document was actually never used," he said, citing as justification the fact that Interprint lost out in the bidding. Invited to speak for Interprint, its current administrative director, Aurelio Francisco da Silva, who is said to be one of the participants in the negotiations with Aliria, said he has nothing to do with the matter.

[Box, pp 24-25]

The Schedule for Operation Apocalypse - How the Government and Five Lawyers Put the Deal Together

1 July: Chauffeur Eriberto Franca tells the CPI that PC was paying the bills for Casa da Dinda through his company.

6 July: The legal operation is launched to prove that another source of funds was used to pay those expenses. Businessman Alcides Diniz, owner of ASD, and his director of legal affairs, Arsenio Duarte Correa, meet in Brasilia with Banco do Brasil President Lafaiete Coutinho, the president's former executive secretary Claudio Vieira, and First Brother-in-Law Marcos Coimbra at Coimbra's home to discuss a loan agreement with the Uruguayan firm, Alfa Trading. Portuguese attorney Alberto Santos Pinheiro Xavier, a renowned theoretician in international law, goes to Uruguay to prepare an opinion on the legality of the deal.

7 July: The operation enters its practical phase, with a meeting at Coimbra's house attended by Vieira, Lafaiete, Arsenio, and attorney Valdo Sarquis Hallack from Sao Paulo, known for his ability to put together international financial transactions. Coimbra insistently asks Sarquis to get the evidence that will guarantee the authenticity of the document.

8 July: Sarquis and Fernando Juca, one of his partners, go to Montevideo. Dollar-trader Emilio Bonifacino signs a statement at a notarial office confirming the conclusion of an exchange transaction in 1989 at the request of Alfa Trading and showing Vieira as the recipient. Bonifacino said he exchanged $3.75 million for 8 million cruzados novos.

20 July: Juca and Sarquis go back to Montevideo to help with the legal work. They bring a statement by Alfa's owner, Ricardo Forcella, confirming the 1989 loan. Attorney Xavier finishes his opinion stating that a transaction along these lines is theoretically legal.

24 July: Dollar-trader Najun Turner signs a statement at a notary's office in which he declares that, on Vieira's orders, he invested the money in gold and kept making deposits in certain accounts. He also claims authorship of the ghosts. He is accompanied to the notary's office by attorney Sidney Saraiva Apocalypse.

25 July: Juca and Sarquis take Vieira to Montevideo. Vieira needs to get better acquainted with his Uruguayan partners. They lunch with Forcella and Bonifacino. It is the first time that Vieira and Bonifacino meet face to face.

26 July: At Coimbra's home, Sarquis, attorney Roberto Delmanto, who's in charge of the criminal part, businessman Luis Estevao, and Federal Savings Bank President Alvaro Mendonca conduct a mock CPI session. Vieira repeats the whole story to show that he has his lesson down pat.

27 July: Vieira testifies at the CPI and tells of the existence of the loan made in Uruguay.

31 July: Secretary Sandra Fernandes de Oliveira tells the CPI that the loan agreement with Alfa Trading may have been drawn up at ASD in Sao Paulo.

[Box, p 27]

Maneuvers In a Story of Results

Subject	The Accusation	The Response	The Facts
VASP Airlines	PC Farias and Marcos Coimbra pressured Petrobras to loan $50 million to VASP.	Motta Veiga, president of Petrobras, left the government in October 1990 and is being sued by Collor	There exists a check drawn on EPC for $250 million cruzeiros to one of Wagner Canhedo's companies issued shortly before VASP was privatized [and purchased by Canhedo].
Overseas Companies	Pedro Collor mentioned accounts and businesses owned by PC outside Brazil, using figureheads as cover.	The president's brother was removed from command of the Arnon de Mello Organization on the grounds of insanity.	Documents prove that Duponi Investment in the Virgin Islands, Miami Leasing in the United States, and SCI Financiere Albert 1er in France are owned by PC.
Casa da Dinda	Chauffeur Eriberto Franca said that Collor's expenses were being paid by PC Farias.	In a speech on TV, the president said he has no business deals with PC and that Vieira handled his payments.	Checks were written by PC to the first lady, and bills and a car were paid for by ghosts from EPC and Brasil-Jet. Collor bought a tract of land from PC.
The Election Campaign	Former Deputy Sebastiao Curio told of receiving $120,000 from PC in 1990 on Collor's instructions.	President Fernando Collor said he did not help anyone in the 1990 election campaign.	There are two checks written by PC ghosts to Sebastiao Curio. There is a batch of checks written to governors, senators, and deputies.
Bribes	Since the first accusations made by Pedro Collor, PC has been mentioned as an influence-peddler.	Collor went on TV to reiterate that he never authorized anyone to ask any favor or to speak on his behalf.	Investigations conducted by the Federal Revenue Authority at PC's offices turned up dummy invoices written to conceal deals with other companies, mainly construction contractors.

Spokesman Objects To NEW YORK TIMES Article

PY2308215292 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 22 Aug 92 p 4

[Text] Planalto Palace has reacted against an editorial entitled "Cry for Brazil" published by the U.S. newspaper THE NEW YORK TIMES on 21 August. Presidential Spokesman Etevaldo Dias has sent the following letter to the newspaper's editorial room:

"Dear Editor,

"Your editorial 'Cry for Brazil,' published on 21 August, distorts and erroneously interprets the current Brazilian economic and political situation.

"As the editorial correctly interprets, Brazilian democratic institutions continue to function normally despite the current political situation.

"Democracy is the only system that can guarantee that truth will prevail in the end. The president is confident, and he believes that irresponsible charges will prove to be false.

"It is not true that the government of President Collor is 'purchasing support' or 'distributing protection' as was stated. Economic recovery is not threatened whatsoever. According to clear instructions by Economy Minister Marcilio Marques Moreira, the economic recovery is moving forward with the implementation of a modernization program promoted by the government. This program provides for fiscal austerity and high priority for investments in the social field.

"There is no evidence that the government's expenses are being used in any illegitimate attempt to obtain political support.

"Disseminating preconceived judgments on President Fernando Collor and Vice President Itamar Franco, THE NEW YORK TIMES is not helping its readers to understand what is happening in Brazil."

Two Justices Not To Participate in Impeachment

PY2508031892 Rio de Janeiro O GLOBO in Portuguese 24 Aug 92 p 7

[Excerpt] Brasilia—Only nine of the 11 justices of the Supreme Federal Court (STF) will participate in the decisions to be handed down on the impeachment [preceding word in English] process or on any eventual criminal process against President Collor. Marco Aurelio Faria de Mello, Collor's cousin who was named by Collor for a seat on the STF in 1990, already has announced that he is going to plead conflict of interest if the prosecutor general presses charges. The same procedure will be adopted by Justice Francisco Rezek, who was a member of Collor's government. [passage omitted on brief biographies of the 11 STF justices: Sydney Sanches, Jose Carlos Moreira Alves, Neri da Silveira, Octavio Gallotti, Paulo Brossard, Sepulveda Pertence, Celso de Mello, Carlos Velloso, Ilmar Galvao, Marco Aurelio Faria de Mello, and Francisco Rezek]

Minister Says Economy Will Survive Crisis

PY2508032892 Brasilia Voz do Brasil Network in Portuguese 2200 GMT 24 Aug 92

[Report by Sergio Oliveira from Rio de Janeiro]

[Text] Foreign Minister Celso Lafer lectured to War College students at the Sao Joao fort here in Rio de Janeiro today when he reviewed Brazil's foreign policy and the current political situation.

[Begin Lafer recording] I believe the positive factor in this complex political situation is the functioning of the institutions and the dynamics of democracy, which are important aspects because they have international repercussions.

At a time when democracy is becoming internationally widespread, its full effectiveness and full operation and the broad discussion of the issues in our country today during this political crisis represents a positive datum of our presence at the international level which results from our domestic actions. [end recording]

Minister Celso Lafer also guaranteed that the foreign debt negotiations will not be upset, no matter what are the results of the political process, arguing that our country's image as a democracy is very solid and acknowledged in the international financial arena.

Economic Issues Said Separate From Politics

PY2208155092 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 22 Aug 92

[Text] The Brazilian political crisis is being discussed within the appropriate forum and there is no reason to mix it with economic issues. This opinion was voiced by National Economy Secretary Dorothea Werneck, who discussed the economic model with Rio Grande do Sul entrepreneurs in Porto Alegre.

The secretary said changes in the stock exchange reflect the political situation.

[Begin Werneck recording] There are some economic areas like, for example, the stock exchange that depend, to a large extent, on events not linked to the economy and on tense situations.

Therefore, one day the stock exchange is up and the next day it is down, but this is the way of the stock exchange. There is no reason to have a hecatomb in a matter of hours. [end recording]

Dorothea Werneck stressed that the economic priorities remain unchanged.

Bank Head on Failure To Attract Funds Abroad

PY2208161492 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 22 Aug 92

[Text] BNDS [National Bank for Economic and Social Development] Chairman Eduardo Modiano has stressed that, due to our country's (?unstable) situation, the interest rates are not attracting funds abroad. He explained that, for this reason, the issuance of bonds and shares was postponed until October.

Modiano said the BNDS expected to secure $400 million abroad in order to complete the $4 billion budget established early this year.

Army Minister Urges End to 'Radicalism'

PY2308221192 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 21 Aug 92 p 6

[Text] Army Minister General Carlos Tinoco said yesterday that the national problems will be resolved "faster if we are able to overcome radicalism and personalism, believe in our potential, and abandon extreme nationalist positions." In a speech delivered at a luncheon held by active duty and retired officers to celebrate the week of the Duque de Caxias, patron of the Army, Tinoco said that the country is going through a period of economic and political problems. He noted a series of Brazilian contradictions: "Without a doubt we are a nation that wants to live in democracy, but we do not know how to do it; a nation that loves freedom, but it does not even know how to interpret it; a nation that seeks modernization, but finds problems in achieving it; a nation that gets lost in a whirlwind of ideas without being able to visualize them, and also where some sectors of society with a microvision of national problems display an almost machiavellian attitude against the social evolution of the underprivileged." Tinoco said that despite all adversities, "the Army did not stop."

One day after Aeronautics Minister Brigadier Socrates Monteiro condemned radicalization, his Army counterpart termed as essential "the need to fairly evaluate the events, and to act with the necessary tranquility in order to discern sincere and honest opinions from those that are merely demagogic, dissociating, preconceived, or ill-intended." Tinoco said that one should not accept "unfounded, unfair, and confusing criticisms which cause alarm and misunderstandings, and which contribute to deepening the disagreement among the various segments of society." It is necessary "for everyone to join efforts around a common objective designed to defeat the difficulties."

Tinoco criticized the proposal to create a supranational force replacing the armed forces of Third World countries, and referred to international pressures on the Amazon. He complained about the internal debates on the size and mission of military men. He thinks that one should not make a difference between "civilian and military men, as if they were not citizens of the same fatherland. To the contrary, they should try to avoid possible disagreements and promote joint tasks in pursuit of Brazil's major interests."

Tinoco guaranteed that the programs designed to modernize the Army are being implemented "despite the financial problems." He finally urged his listeners "to closely follow the examples" of the Duque de Caxias, to have confidence in the institutions, and to continue with hope and optimism "so that misunderstanding, injustice, and disbelief do not undermine moral and military men's commitments to the fatherland."

Planes Sold to Ministry, Argentine Air Force

PY2508034592 Rio de Janeiro O GLOBO in Portuguese 24 Aug 92 p 17

[Excerpt] Sao Jose dos Campos, Sao Paulo State—Embraer [Brazilian Aeronautics Company] has concluded an agreement to sell 40 CBA-123 Vector airplanes to the Brazilian Aeronautics Ministry and another 20 units to the Argentine Air Force. The contracts will yield $400 million, payable in installments, for the state-owned company. These funds will be included in the budgets of the two governments next year after the payments are approved. This announcement was made by Embraer Financial Director Manuel de Oliveira.

The 18-seater Vector was developed jointly by Embraer and the Argentine Aerospace Equipment Manufacturing Company (FAMA), and will replace the [EMB-110] Bandeirante in regional transportation, especially in the United States. [sentence as published] Nevertheless, market surveys indicate that the model—Embraer's most sophisticated model—would be very expensive and not viable under the current world aviation conditions. Two experimental models were built and the program was frozen because its continuity depended on the initial sale of 110 units. [passage omitted]

Bolivian Gas Accord, Entrepreneurs' Views Eyed

PY2208213192 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 18 Aug 92 Economic Section p 1

[Article by correspondent Guilherme Evelin]

[Text] Santa Cruz de la Sierra—Brazil will pay $130 million annually for the purchase of Bolivian natural gas. After intense diplomatic negotiations, the Brazilian and Bolivian Governments agreed on a price of $1.22 for transporting 1 million BTU's [British thermal unit] (unit for measuring natural gas calories) to the border between Puerto Suarez and Corumba (Mato Grosso do Sul). The corresponding agreement was signed on 17 August by Brazilian President Fernando Collor during a seven and a half hour visit to Santa Cruz de la Sierra.

The agreement provides for a daily supply of 8 million cubic meters (equivalent to 50,000 barrels of oil), and the construction of a gas pipeline that will in its first stage connect Santa Cruz de la Sierra to Campinas (Sao Paulo State). The agreement will be in force for 20 years, and prices will be readjusted in accordance with the international market variations. The agreement was signed after more than 30 years of talks on this type of cooperation.

Brazil thus plans to reduce its dependency on oil imports and increase its use of natural gas which, from the environmental point of view, is a purer source of energy. The government goal is to increase the import of Bolivian gas to 16 million cubic meters per day. With the expansion of its production and the import of gas from Argentina, the government plans to increase the use of natural gas from 2 to 10 percent of the overall energy consumed in the country.

In one of his two speeches during his visit to Bolivia, President Collor said that the agreement has been one of the most important signed by his administration. The construction of the gas pipeline—which will be 3,400 km long when the branches to Minas Gerais State and the southern states go into operation—will demand an investment of $1.8 billion, which may be financed by the World Bank and the Inter-American Development Bank.

Mines and Energy Minister Marcus Vinicius Pratini de Morais has asserted that the Bolivian natural gas will be used in thermoelectrical plants, fertilizers industry, and as a fuel for taxis and buses, replacing gas oil.

Monopoly

Despite the government's optimism, a group of 30 Brazilian businessmen who accompanied the president on his visit to Boliva were skeptical about the results of the agreement. Entrepreneur Olacyr de Moraes, of the Itamarati Group, complained that the monopoly for the transportation of gas, which was given to the Brazilian Petroleum Corporation, makes the Brazilian companies' opportunities for participation in the construction of the gas pipeline "nebulous." The construction will last two years, and bidding for the work will probably be opened next year.

In addition to Olacyr de Moraes, entrepreneurs Sebastiao Camargo, president of the Camargo Correa Group; Murilo Mendes, president of Construtora Mendes Junior; and Mario Amato, president of the Sao Paulo State Federation of Industries, Fiesp, among many others, accompanied President Collor to Bolivia.

Chile

Damage Claims in Poison Grape Case Renewed

PY2108152292 Santiago Radio Cooperativa Network in Spanish 2300 GMT 20 Aug 92

[Report by Carmen Castro]

[Text] The Chilean Government has reactivated diplomatic negotiations with the United States on the issue of poisoned grapes.

Chile is awaiting an answer as regards compensations, which will be given next week. Should negotiations fail, Chile will resort to the Brian Treaty, according to Foreign Minister Enrique Silva Cimma.

The Chilean Foreign Ministry has been discussing this issue with U.S. Ambassador to Chile Curtis Warren Kamman since last December. The U.S. Government suggested that Chile resort to the U.S. courts, though this proposal was rejected because a U.S. court might have decided that the matter is outside its jurisdiction. The foreign minister said that they had also considered bringing the poisoned grapes issue before the Chilean-American Council, which was established within the framework of the Initiative for the Americas. This idea

was also rejected since this was not a trade issue but a request for compensation to the Chilean people and government, Silva Cimma pointed out.

Parallel to the diplomatic negotiations began by the Foreign Ministry last December, Chilean citizens have sued the U.S., without any success, Silva Cimma stated. He said:

[Begin Silva Cimma recording] We have suggested direct negotiations via U.S. Ambassador Kamman with the U.S. Department of State and requested an answer to our demands. We hope to obtain an answer as soon as possible, hopefully for next week. Depending on the answer, we will study the appropriate course of action. Should diplomatic negotiations fail, we will analyze the possibility or resorting to the Brian Treaty, which is familiar to you all. [end of recording]

Chile is seeking compensation for damages, Silva Cimma explained, though he did not mention an amount. It is known, though, that the Chilean Government hopes to get close to the amount claimed, which adds up to $350 million.

Brazil Asks For 'Patience' in Romo Case

PY2208200792 Santiago Radio Chilena Network in Spanish 1100 GMT 22 Aug 92

[Excerpt] Brazilian Justice Minister Celio Borja has asked for patience in the expulsion of former DINA [National Intelligence Directorate] agent Osvaldo Romo Mena.

According to the Brazilian justice minister, the fate of the former DINA agent will depend on the legal paperwork of his country's police and courts. He also indicated that the deadline for defense is a right consecrated by Brazilian legislation. [passage omitted]

Pinochet Lectures on Army's Evolution, Future

PY2108213892 Santiago Radio Chilena Network in Spanish 1700 GMT 21 Aug 92

[Text] Army Commander General Augusto Pinochet has stated that the Army of the future must respect institutional order and focus on fulfilling its constitutional mission.

Pinochet made this statement during a lecture at the Military School entitled "The Chilean Army: Evolution and Future."

During his lecture Pinochet referred to the reorganization which, in his opinion, is necessary to adjust the Army to the present times.

He said that for this purpose the institution must observe the following parameters:

[Begin Pinochet recording, in progress] ...that will permit the nation's survival [word indistinct] state security to attain development levels that will allow for the improvement of the living standards of our fellow countrymen [word indistinct] the customs and values that characterize Chilean society and our institution. [passage indistinct] fulfilling the missions entrusted to it by the Constitution. [end recording]

Pinochet added that the Army must be involved in society's activities and that it should participate in the state's actions through the channels established by the pertinent laws and regulations.

Pinochet pointed out the need for the institution to establish more dynamic and efficient means to improve its links with the political and other Chilean fields.

The Army commander also noted the importance of compulsory military service. He said that the contribution made by those youths doing their military service is necessary for the Army to be able to fulfill the missions it is entrusted by the Constitution.

[Begin Pinochet recording] Military service puts the Army in contact with the people; it enhances national unity. Military service should include a period focused on the individual's physical and spiritual integrity before starting the great military training. One cannot think about short and superficial training periods, because it is only the soldiers who pay with their lives the consequences of a poor training. [end recording]

Pinochet also proposed the need to examine means which will allow young professionals to do their military service after graduating. He said that this would allow them to contribute their knowledge while they acquired military experience.

Colombia

U.S. 'Warned' Coffee Countries 'Will Go Broke'

PA2308125492 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0030 GMT 23 Aug 92

[Report by Juan Roberto Vargas]

[Text] Brazil and Colombia on 22 August warned the United States that if the world coffee pact is not restored this year, coffee producing countries definitely will go broke. In an emergency meeting in Santa Fe de Bogota, they also ruled out the stockpiling of coffee to seek an increase in prices.

Colombia and Brazil clearly are not satisfied with what they consider an ambiguous U.S. position to support the restoration of the world coffee pact, which could increase coffee prices and improve the economies of the producing nations.

[Begin Colombian Foreign Trade Minister Juan Manuel Santos recording] What we have seen up to now are very pretty, positive, goodwill political speeches, but as soon as we sit down to negotiate, the obstacles appear. [end recording]

According to coffee producers, the U.S. presidential elections cannot be a pretext to delay the fulfillment of

commmitments in the reorganization of the market and reduce the losses sustained by coffee farmers, some $6 billion today, because of low international coffee prices.

[Begin Brazilian Economy Ministry official Clodovaldo Huguney recording] We believe consumer countries will reflect on this, they already are reconsidering the main aspects of the coffee pact, especially control mechanisms. [end recording]

The meeting held in Santa Fe de Bogota this weekend will help participants unify their positions and set an example for other producers so as to reorganize the market and press for the restoration of the coffee pact in the London meeting scheduled for 20 September.

[Begin Huguney recording] We are seeking a coffee pact. We are not seeking an alternative because we are concentrating our efforts to achieve positive results in September. [end recording]

Colombia and Brazil will sign a document on 24 August in which they will once again dramatically ask for the restoration of the world coffee pact.

Air Traffic Safety Hearings Begin in Senate

PA2408221692 Santa Fe de Bogota EL TIEMPO in Spanish 20 Aug 92 pp 1-A, 8-A

[Text] Deficiencies in 35 percent of radio beacons, faulty communications systems, and a lack of radar equipment that impairs air traffic control have caused almost 14 midair airplane collisions since March 1991.

Obsolete air navigation equipment, a lack of government funds to improve it, and poor conditions at airports add to the problems that stem from the poor relationship between the Administrative Department of Civil Aeronautics and the Colombian Air Force (FAC).

The directors of the organizations deny that such friction exists but Senator Eduardo Pizano de Narvaez said on 19 August that he has information provided by high-level sources at the Defense Ministry, Administrative Department of Civil Aeronautics, and the FAC that indicates communications channels between the two organizations are deficient.

As this could lead to an accident, the senator asked the two to end the controversy, "as the only ones to be hurt are the Colombian people."

On 19 August Pizano called a debate on the issue of air travel safety. Participating were Jose Joaquin Palacio Campuzano, chief of Civil Aeronautics; General Manuel Jaime Forero Quinones, FAC commander; and Captains Eduardo Prada and Alfonso Pinzon, the president and vice president of the Colombian Association of Civilian Pilots (ACDAC).

After detailing the facts about the incidents and the equipment shortcomings, the Democratic New Force senator concluded that "it is evident that plenty of money is needed to improve air travel safety conditions."

A Return to Civil Aeronautics?

FAC Commander Gen. Manuel Jaime Forero explained that 99 percent of foreign planes that fly over Colombian skies comply with Civil Aeronautics regulations. He admitted that the other 1 percent that do not could cause an accident, as recently reported. He stressed that in such cases the Civil Aeronautics Department imposes sanctions after its investigation.

The general also stated that the FAC always reports these flights to the Civil Aeronautics Department, and added that when there were Air Force officers on duty at that agency, coordination was easier. He stated that talks are going on with the chief of civil aeronautics to determine the need for the return of military experts.

The general denied having presented the president with a request or a list of names and stated that "a soldier neither offers nor refuses."

Other sources report that replacements will be made: Palacio will continue as chief of the organization, but those holding the posts of deputy chief and the operations and telecommunications chiefs will be replaced by military personnel.

An official source told EL TIEMPO that relations between the two organizations became quite distant because the FAC believes that classified information about military operations has been leaked, such as the overflight of foreign military aircraft in support of Colombian Armed Forces operations.

"It is surprising that the media could have learned about classified plans before they were executed. It would seem that there is an information leak by someone with drug trafficking connections within that agency," a FAC source said when asked by this paper.

The source added that the government's removal of military officers from positions in civil aeronautics caused discontent because the military presence had become a tradition and because the presence of FAC experts at the agency guaranteed more efficient control of Colombian air space.

"This no longer applies and the FAC has pointed to a lack of expertise of the civilian personnel appointed by civil aeronautics," he said.

Pilot Complaints

The ACDAC painted a bleak picture of airport conditions, radio beacons, and aerial telecommunications, and said the air traffic controllers are doing the best they can but lack the necessary elements to carry out their job.

According to the pilots, new radar is needed to control traffic, because the ones currently in operation are obsolete. They affirmed that this causes 25-minute delays in takeoffs, which sometimes drag on for 45 minutes.

The pilots also complained that the Civil Aeronautics Department did not take them into account when reviewing the Aeronautics Regulations Manual, and gave a detailed report of the shortcomings at each airport.

The civil aeronautics chief requested that the truth be told in full, and explained that communications with Panama, Jamaica, and Aruba are lacking and this cannot be attributed to his agency. He pointed out that "we have made considerable investments to update and modernize our equipment but those countries are not following at the same pace."

Another Incident Under Investigation

Despite the lack of official evidence that two commercial airplanes suffered a near miss at the Rio Negro airport in Medellin, the Civil Aeronautics office has ordered an investigation. According to Palacio, the reports of this near miss between a Tampa cargo plane and a Zuliana Airlines passenger plane are even more troubling because they follow the incident involving a U.S. military plane and a commercial flight during the week of 9 August.

This new incident reportedly occurred on 18 August at the Jose Maria Cordova Airport between a plane belonging to Tampa, a Colombian cargo company, that was taking off for the United States, and a Venezuelan Zuliana Airlines plane flying in from Santa Fe de Bogota.

Palacio said the Zuliana pilot gave his location incorrectly, after which the air traffic controllers gave the Tampa cargo plane permission to take off. Upon approach, the Venezuelan pilot realized that the runway was occupied and flew over the airport. Palacio pointed out that this is a normal maneuver for which all crews are trained. "The airplanes never came close to each other."

Civil Aeronautics To Install 7 Radar Systems

PA2508005792 Santa Fe de Bogota EL TIEMPO in Spanish 21 Aug 92 P 8A

[Text] By the end of the first six months of 1993, Colombia will have almost total coverage of its airspace through the seven radar systems that the Civil Aeronautics Department is installing.

It is estimated that by the end of 1994, the Civil Aeronautics Department will have completed a modernization plan of the radio assistance and aviation telecommunications system that includes replacing obsolete systems and increasing coverage.

Announcing this commitment, Jose Joaquin Palacio Campuzano, chief of the Administrative Department of Civil Aeronautics, ended his speech before the Sixth Senate Commission, which was examining the question of air security.

The senators requested he present a written report on a timetable for the development of the project and they appointed a commission that will verify the state of the equipment and the aviation infrastructure.

Eduardo Pizano, Samuel Moreno, Jorge Valencia, German Hernandez, and Gustavo Dajer are members of that commission.

The Colombian Association of Civilian Pilots (ACDAC) reiterated its criticism of the system and said that for many years its members have been listening to a host of promises.

The General Aviation Association (AAG), which includes pilots, private airlines, and aviation schools, supported the efforts being made by the Civil Aeronautics Department to improve air security. It also called the civilian employees of the Civil Aeronautics Department highly qualified professionals.

Answering the charges made by the pilots and questions asked by the senators, Jose Joaquin Palacio called for restraint to be used in reporting on air security "because the public has been confused with inexact information and reports filled with sensationalism."

He reiterated that there was no risk of a collision on 18 August between a Venezuelan passenger plane and a Colombian cargo plane, even though the media made it appear like a new incident that nearly led to a tragedy.

Palacio emphasized there was a contradiction between what Daniel Zabaleta, the pilot of the Avianca plane, said to the air traffic controllers and what he later told civil aeronautics authorities. Zabaleta charged that on the week of 9 August there had been an incident with a U.S. Hercules plane that had not been reported.

According to the recording of the conversation between the pilot and the controllers, Zabaleta asked if there was any other traffic authorized in the area and he reported that a Hercules had crossed about 1,000 feet above him.

Later, when he presented a written report on the events, the captain said that the plane crossed at a distance of between 300 and 400 feet.

The civil aeronautics director called attention to the fact that 1,000 feet is the minimum authorized distance between two airplanes, and that if the pilot's first version is true, then one may conclude there was no risk of collision. He added, however, that the investigation is not complete.

According to Palacio, the radar program has been financed and most of the equipment is in the country. The official told the Senate that the first equipment to be installed in the program is a radar system on El Tablazo Hill, near Santa Fe de Bogota, and that it is being tested.

The old equipment has been sent to Carimagua, in the Eastern Planes, where it will be installed.

He added that the new terminal radar for Eldorado Airport in Santa Fe de Bogota is being installed but that the old one is still working. Once the change is made, the old equipment will be sent to Villavicencio.

He said a radar system will be installed in 20 days in Verde Hill, covering the Medellin area.

By the end of 1992, the Civil Aeronautics Department is expecting the delivery of directional radar to be installed in Maco Hill, near Barranquilla, to replace the one that was blown up by the guerrillas.

By the same date, he is expecting delivery of the equipment that will be installed on Santa Ana Hill, in Cauca, to cover the Pacific area. That one was also blown up by the guerrillas.

Jose Joaquin Palacio presented a plan to replace radio assistance equipment. He pointed out that a digital network of microwaves for communications will be installed.

Ecopetrol Plans To Solve Production Deficit

PA2408201792 Santa Fe de Bogota EL NUEVO SIGLO in Spanish 20 Aug 92 p 9a

[Report by Sandra Leal in Bucaramanga]

[Text] The Dynamic Adjustment Plan implemented by Ecopetrol [Colombian Petroleum Enterprise] aims to plan ahead for the future by studying the environment and keeping abreast of perspectives as a means to overcoming its 22-percent current production deficit.

The plan is an attempt by the petroleum enterprise to adapt to new world market demands like economic liberalization, increased privatization, new technology, and especially environmental protection, which makes essential the production of clean fuels "and a substantial reduction of fuel oil [previous two words in English], which is no longer competitive internationally." Carlos Martinez Jimenez, Ecopetrol planning adviser, discussed the plan at the eighth seminar on petroleum modernization and information being held in Bucaramanga, capital of Santander Department.

A crisis exists in natural gas production. The demand for natural gas dropped from 15 percent at the end of 1980 to 13 percent at the beginning of 1990. To a great extent this was caused by the fact that Colombia does not have large gas reserves. This has created a type of "mental barrier," which prevents development in this field. Efforts are being made to increase the use of compressed gas for transportation and in the home.

Efforts are being made now to overcome this shortage by increasing exploration and seeking new supply sources such as imports from Venezuela and the prospects offered by the Cusiana field.

To achieve this objective, Ecopetrol's technology and, in general, its infrastructure must be expanded. This has begun to be done with the building of a new refinery that will permit the country to become 98 percent self-sufficient in fuels.

The location of the new refinery has yet to be decided. The Colombian Institute of Petroleum (ICP) is helping in this by analyzing accounts and studies of fields, transportation, dehydration, and other topics.

With the beginning of work on the new refinery and the increase in the use of natural gas, a package of investments has been planned for the next five years. It would average $1.524 billion per year and become stabilized in 1997 at $587 million, which is more or less the current average.

In the world there is a reserve of 1 trillion barrels of petroleum, of which 66 percent belongs to the Middle East and only 12 percent belongs to the Latin American countries. Within the reserve-production ratio, it is estimated that such reserves will last about 48 years if the current rate of production continues. In Colombia, which currently has a reserve of 2 billion barrels, the reserve is enough petroleum to last for 12 years, but with the current deficit, which has led to the import of 27,000 barrels of gasoline a day, needs may be greater.

Hopes of maintaining a reasonable reserve-production ratio have decreased.

Martinez Jimenez said the Persian Gulf war was not entirely counterproductive, as far as the petroleum market is concerned, because it made the OPEC members, who control 74.6 percent of the world's petroleum, understand that the other countries are prepared in the case of a petroleum recession. As a result, this has brought about some stability in prices and the possibility of moderate increases in the future.

Noriega Spokesman's Extradition Request Rejected

PA2208033092 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 2300 GMT 21 Aug 92

[Text] The Colombian Government on 21 August rejected a request for the extradition to Panama of former Panamanian Colonel Edgardo Lopez Grimaldo and ordered his immediate release.

Lopez Grimaldo, former spokesman for Manuel Antonio Noriega's ousted military regime, was arrested on 29 June at the Colombian-Ecuadoran border by Administrative Department of Security agents in response to an extradition request from the Panamanian Government. Since his arrest, Lopez Grimaldo has said he is innocent and that he is being politically persecuted by Guillermo Endara's government.

Ecuador

Media Charges Attacks, Threats From Government

PA2208192892 Madrid EFE in Spanish 1944 GMT 21 Aug 92

[Text] Quito, 21 Aug (EFE)—The Journalists Association [Colegio de Periodistas] and several Ecuadoran newspapers and radio and television stations charged on 21 August that media professionals have been subjected to obstacles, threats, and even physical aggression since the new government was sworn in 11 days ago.

The latest incidents involved plainclothes policemen who protect President Sixto Duran-Ballen and a policeman who struck and threatened a Radio Quito reporter. The incidents caused the media to lose its patience and officially protest to the authorities.

Francisco Herrera, the president of the Journalists Association, has stated: "It is distressing and regrettable that we have to press charges for several confrontations with the media after only a little over a week of having a new government in power."

"We ask government officials to maintain a peaceful and composed attitude and we caution them that their unpleasant disposition is causing tension," he added.

Herrera called the government to avoid a repetition of the events that occurred during conservative President Leon Febres Cordero's term (1984-1988) "when the act of reporting became a crime. We do not want this to happen again and are, thus, requesting a dialogue with the information minister."

A Radio Quito reporter has charged that Police Captain Raul Rivera Gutierrez did not allow him to cover the swearing-in ceremony of the new police commanders, and later punched him.

The "Notihoy" Radio Network asserted: It is becoming fashionable in government to attack reporters: first, a journalist was pushed out of the vice president's office and later, another reporter was threatened with death because he reported an oil spill."

"President Duran-Ballen should investigate to find out what is bugging his ministers and top officials," the HOY newspaper stressed.

Agreement With Colombia, Mexico, Chile Sought

PA2408160592 Quito Voz de los Andes in Spanish 1130 GMT 24 Aug 92

[Text] Ecuador wants to reach free trade agreements with Colombia, Mexico, and Chile, according to statements made on 21 August by Mauricio Pinto, industry, commerce, integration, and fisheries minister.

Ecuador expects to sign a free trade agreement with Colombia late next month, according to Pinto, who said Colombian-Ecuadoran negotiations have the support of businessmen from both countries.

The desires of both countries to reach an agreement was fulfilled on 21 August with the announcement that a delegation of 32 Colombian businessmen would visit Ecuador on 24 August to explore trade and investment possibilities in both countries.

Pinto also said Ecuador is interested in reaching free trade agreements with Chile and Mexico as part of a strategy aimed at promoting Ecuadoran exports. The possibilities of trade with those two countries were opened after the constant failures of the Andean Pact to create a free trade zone. Former President Rodrigo Borja's government position, accepted by the group, had been to negotiate free trade agreements with Chile and Mexico as a bloc, however, the obstacles faced by the Andean Pact are beginning to be overcome with the implementation of bilateral agreements.

Ecuadoran businessmen have often stated that the country cannot limit its trade agreement possibilities to the Andean Pact and should open up to other countries. This position is shared by the government of Sixto Duran-Ballen, according to Pinto.

Paraguay

Rodriguez Announces New Credits for Agriculture

PY2208204692 Asuncion ULTIMA HORA in Spanish 21 Aug 92 p 13

[Excerpt] President Andres Rodriguez this morning officially announced that the financial package for the reactivation of agriculture will be 200 billion guaranies, including the 45 billion guaranies earmarked to refinance the credit given for the previous harvest, at an interest rate of 15 percent. Thus the primary 1992-1993 production campaign will effectively receive 155 billion guaranies.

According to Rodriguez, "because of the difficult situation the agricultural sector is experiencing," the government adopted a number of measures that will considerably affect primary activity in an effort to reactivate it.

The most important measures adopted this morning include the 200 billion guaranies earmarked for agriculture, the 15 percent interest rate, and the three-year period for the payment of the refinanced credit. Of the overall amount, 45 billion guaranies will be earmarked to refinance the overdue debt.

One important point included among these "transitory" measures, as pointed out by the president, is that almost all new credits for the 1992-93 agricultural campaign will be channeled through the National Development Bank [BNF] at an interest rate of 15 percent. The BNF will receive credits from the Central Bank and from the Finance Ministry at a subsidized rate of 10 percent. [passage omitted]

Peru

Minister Bolona Fields Economic Questions

PA2408190792 Lima Radio Programas del Peru Network in Spanish 1400 GMT 22 Aug 92

["Saturday Focus" panel discussion with Economy Minister Carlos Bolona by program host Denis Vargas, co-host Arturo Salazar, and guests Augusto Alvarez, editor-general of the Apoyo Company, and Humberto Campodonico, Desco Company representative]

[Excerpts] [passage omitted] [Vargas] Mr. Minister, do you think the amount of money that was announced for the revival of the national economy is sufficient?

[Bolona] I do not think we could say it is sufficient, but I definitely think it is a good step. It is a significant and important amount. We can say it will ease the recession that has, for a number of reasons, been worsening; for example, the electricity rationing—which has also grown worse—the El Nino phenomenon, and the adjustments made on the stabilization program.

I do think this money will ease the situation. Some cash will be available, and I think it is important for us to earmark it for various kinds of expenditures. In the past the adjustments included increasing the price of gasoline and other products, but now we want to spend it on wages and salaries, certain investments, and more productive expenditures as opposed to populist ones that produce nothing but waste. Go ahead, Augusto Alvarez.

[Alvarez] Good morning, minister. The program to ease the recession—as you called it—includes a set of measures that will increase expenditures, which will come from the use of a fiscal surplus estimated at little more than 200 million soles and from the elimination of taxes, among other incentives for the productive sector.

My question is: How will we guarantee the fiscal balance? This is important. Some are calling it excessive liberalism these days, but it is a basic economic principle. My specific questions are: How will the fiscal balance be maintained during this period? What will happen in four months once that fiscal surplus is used up and we may possibly have to return to smaller expenditure levels? What will happen then?

[Bolona] Our economic plan has a basic pillar: fiscal discipline. In other words, we cannot spend more than we have. Now that does not mean it is an economic program that will not allow for more money to be spent should more become available. The goal is not to hoard money for the sake of hoarding.

We are indeed maintaining the principle of fiscal balance; we are not violating it. Now I think we are reaching higher expenditure levels. That will not be reversed because, for example, it is not that wages are being increased or that we will return to original levels in the fourth month. No, we are reaching a higher expenditure level and we will have to maintain it.

It is important to point out that the program or the measures we announced involve four very important areas: expenditures; taxes—the goal is to rationalize taxes and later gradually eliminate taxes that are antitechnical and that actually generate more costs and distort the economy; various aspects of the financial sector; and commerce by making more flexible the administration and investments of the National Fund for Social Development and Compensation [Foncodes] in various areas.

Thus, there are four main areas, but that by no means implies that we will break the principle of discipline and forget that we cannot spend more than we have. [passage omitted]

[Campodonico] You have always blamed state intervention for most of the country's economic problems. You have always said the market should allocate the economic resources, and the economic reforms have headed in that direction. A year and a half later we are seeing that the forces of the market have worsened the crisis left by the previous government. Regarding stabilization, we see that all the prices have fallen out of place. Interests rates are high; the exchange rate is overvalued; deficit in the balance of payments is expected; salaries are very low; recession is very strong; and the inflation rate, which is the only quote, achievement, unquote, is still approximately 3.5 percent or 4 percent, a high figure.

Now that the reactivation package has been announced, we again have state intervention as the state will invest $300 million. Why is it called a relaunching of the program? We do not think it is the same program. Has this package been introduced to raise the government's popularity before the November elections?

[Bolona] You have posed several questions, so let me begin with the first one on state intervention. It is said that the implementation of a policy based on the market has caused a number of prices to fall and has created more instability. I would say we must recall what was happening. Considering the fact that we had a hyperinflation rate of 7,000 percent with state intervention, and the government simply decided to pay expenses by printing money, that can hardly be called stability. With the gross national product falling for three years—minus 8, minus 8, and minus 4—from 1988 to 1990, we cannot say we were growing. Although the price of gasoline was $0.06, we cannot say that prices were in place. With an interest rate of 40 percent, which was negative, we cannot say the interests rates were in place. The exchange rate was overvalued. We can go down the line. The distortions that existed due to government intervention were immense. Those distortions cannot be corrected overnight. We had to deregulate prices. Yes, prices have to fall in place gradually. Although prices were deregulated, the distortions were so great that they had to fall into place gradually. I certainly feel some progress has

been made. We no longer have subsidies. We cannot just point to the inflation rate as an achievement. The economy no longer provides subsidies. We also said there were no international reserves, but now we have $1.7 billion in international reserves. We are heading in a direction that gives us greater stability. There is no fiscal deficit, whereas in the past we had an 11 percent fiscal deficit. That state intervention did generate an immense distortion in the economy.

I think we have put greater order in the economy. Certainly there are inefficient enterprises that have to be adjusted or reduced, dissolved, or liquidated. The point is that the market has made us much more organized. We are going through a reorganization and adjustment phase that is difficult, but there was no other alternative. As for relaunching the program, one must consider that this is a different program, although it is not different in some respects. Just because I have resources and will spend them, that does not mean the program is different. The idea of the program is not to spend because we do not want to spend. The idea is to spend based on what I have. If I have some resources to spend, let us spend them. The fact that the government directs....[pauses] The state will always play a guiding role in matters such as public investment, or on a number of other aspects where it must make certain decisions. We do not want the state producing a number of goods while losing money in all the activities in which it is engaged. Let us leave that to the private sector.

[Campodonico] On that point, you said subsidies no longer exist. This is my question: Now that the government is going to invest $100 million in purchasing the state highway because companies are going bankrupt and banks hold that portfolio, does not the purchase of this major [pesada] highway entail state intervention? Who will be the one to decide what major portfolio is purchased? And if that is the shape those companies are in, is it not the result of the economic program, the recession, or high interest rates? I feel the question is very important.

[Bolona] I would say this: Proposals for the purchase of portfolios must be made as honestly as possible to avoid these sort of suspicions about how the purchases are made. We have clear rules that establish what percentage of state property is given, what happens to the superintendency [not further identified], and what kind of portfolio it is—it should be a recoverable portfolio. That is not a subsidy. It may be help but it must be paid back. If I agree to pay interest for a period of time for that portfolio, that means that interests will have to be paid back. I am not giving away money to banks to make their life easier and bearable. I do think that if a problem exists....[pauses] If there are short-term loans, and banks are totally unable to give short-term loans, I do think we may give them some help so banks can gradually make adjustments. That is what we are proposing. [passage omitted]

[Salazar] Minister, you are exhibiting an uncharacteristic trait. You are being generous. However, this generosity [chuckles] has to be studied more in depth. For example, on the same day you announced your economic reactivation measures to counter the production decrease, you raised the price of residuals, diesel 1 and diesel 2, which are precisely the basic raw materials for production. So, you give with one hand and you take away with the other. How is this possible?

[Bolona] We have to establish the following: I do not set the price. The price of fuel is determined by Petroperu [State Petroleum Agency]. Now, it is not that I [corrects himself] that Petroperu made those adjustments for fiscal reasons. No, a price distortion problem is the reason for the adjustments. For example, the prices of the diesel and kerosene residuals have been set much lower than their international values. The prices of other products are somewhat higher. So, what is Petroperu doing? It is raising the local prices of the residual fuel to the level of the international market. It is readjusting its prices to reach the international level, obviously, in foreign currency. This adjustment will allow Petroperu to obtain the international price for its residual fuel.

[Salazar] Coincidentally, however, among the fuels, the residual fuel is the one that has been taxed the most. So, you come out winning from the residual fuel as well.

[Bolona] Yes, I come out winning, but for example, the price of gasoline was not increased. Obviously, gasoline is the most profitable and I would have loved to see gasoline prices go up 3 or 4 percent according to the expected inflation. I would have been....

[Salazar, interrupting] But the tax percentage on residual fuel is much greater than on gasoline.

[Bolona] Yes, but the sale of gasoline is much greater than the sale of residual fuel or other by-products. It would provide greater revenue. [passage omitted]

[Vargas] Mr. Minister, before we continue, the people who listen to Radio Programas del Peru have asked us to ask you whether the announced wage increases will be implemented by late August. I do not believe this is a sign of mistrust, but I believe nothing is lost in reiterating it.

[Bolona] Most definitely.

[Vargas] In other words, the teachers and nurses will receive the new wage increases?

[Bolona] When a wage increase is announced it must be implemented. It is very difficult to announce a wage increase and go back on the announcement. It would be very bad to fall into that type of situation. We announced the increases and it has already been published that the teachers will receive a 60-sol increase this month and that the health sector will also receive a 60-sol increase. The soldiers and police officers will also be receiving new uniforms.

[Vargas] What about the other sectors?

[Bolona] We are studying the other sectors because it is a large number of people whose wages must be increased. We are studying the possibilities to see if we can do it in August or September.

[Vargas] The so-called reactivation program has announced the investment of approximately 400 million [currency not specified] in the productive sector. However, no one seems to remember the social emergency fund. There are social sectors in our country that are having a very hard time and you know this Mr. Minister. There are people who are dying of hunger. What is being done for the social emergency fund? When is the announcement going to be made?

[Bolona] The social emergency fund is receiving $25 million a month. The funds for the social emergency fund have been increased significantly. We are providing $10 million a month to create new jobs, support projects, and to help the social and productive impact areas. We are thinking of raising this amount to $15 million, perhaps $20 million. We are prepared to do this. The important thing is that we have the funds needed. We must also make Foncodes more flexible. A decree will be issued shortly to make management of Foncodes more flexible so that it can use its funds without going through all the red tape the government sector must go through. It must be a more flexible and autonomous institution, it must be free of all the red tape established for the government sector. [passage omitted]

[Alvarez] Mr. Minister, another question to see if you can give us some specific figures that would allow us to get an idea of what the economic situation will be between now and the end of the year. Following this beneficial reactivation package [paquete reactivador benefico], as President Fujimori has called it, what do you expect with regard to the behavior of variables such as inflation and exchange and interest rates through the end of the year? I am asking you this to have a way to measure the success of this program you are launching, to see if things are going well or badly. What do you think the main changes will be by December 1992?

[Bolona] I would say the following: Speaking of inflation, we must continue our struggle to reduce inflation. Even though we are at levels of 3 and 3.5 percent, we must continue to lower this rate. We should try to reach the levels of 2 or 3 percent by the end of the year. That is what we should work toward.

[Alvarez] If the inflation rate should increase would it mean that the plan is not working properly?

[Bolona] We could find some potholes because this evidently is not a continuous and uniform process. It will have its potholes. However, the idea is not to let inflation get out of hand. That is what is important. We cannot forget that inflation is a very sensitive thing. In March, with the implementation of the IGV [General Sales Tax] for example, inflation rose to 7 percent in one month. It rose very quickly. A process to stabilize inflation is very sensitive; it could jump to 7 or 8 percent and get out of hand in 3 or 4 months. The fact that inflation is being maintained at levels between 3 and 4 percent shows us it is good. It is high, but it has been our normal average throughout the eighties. However, we must lower our inflation to the levels of the sixties and fifties during which inflation was much lower. That is the way we must view this.

Second, as far as growth is concerned we must diminish the drop, the drop we experienced during the first six months. The second six months should not show the same rate as the first six months.

Regarding foreign exchange, we must continue to earn more foreign exchange. We have earned much more than we expected during the first six months. I believe we should continue to earn more foreign exchange because this will bring tranquility and stability.

Now speaking of fiscal deficit, we must attempt to maintain a balanced budget. We cannot finance the government sector by issuing new currency. I believe this is a golden rule that we must remember every day and every month. You, the economic journalists and economic analysts, must check your gauges and demand that we not stray from our path.

Now regarding the exchange rate, we must earn parity [words indistinct]. We must continue to work to lower the overhead of the enterprises. We must work to rationalize taxes and some administrative red tape. We must start removing some of the red tape that the economic system has. It is very important that we continue to work in this direction. Those are the guidelines we should use to determine where we are headed and what kind of success we are having.

[Alvarez] That is your economic view of the future. Now speaking of politics, how do you view the political situation in the next few months? I am asking you this because since 5 April we have seen that politics have an effect on the economic situation. You have played a very important role in politics. Some people are calling you the political-technical minister, the poli-technical minister. Do you see a positive future after the CCD and municipal elections?

[Bolona] I agree completely that the political situation affects the economic situation. Politics have dominated the scene and put economics in second place. This has been felt in the economic program and in other areas. That is obvious. There is no doubt that positive political developments will help the economic situation. It will contribute to stabilization, investment, return of capital, disbursement of funds, and so forth. I believe this will be very important and will help us meet our obligations.

[Alvarez] What do you think will help us attain positive political development?

[Boloña] Well, to have a sovereign and autonomous congress. For everyone to see that we are abiding by the Bahamas commitment and that we are becoming more democratic. I believe that economically and politically speaking, this will be of great help to us.

[Campodonico] Dr. Boloña, I would like to ask about the privatization process that is underway currently. According to [Energy and Mines] Minister Jaime Yoshiyama, and according to statements you have made, all public enterprises will be privatized before the end of this administration. Why the eagerness to privatize all public enterprises? Chile did not privatize its Copper Corporation, Codelco, and it represents an essential source of revenues and financing for the government. Many, including myself, perceive an ideological trend in the evaluation of public enterprises. This even applies to the state's role, which is important. It has had a crucial role in Southeast Asian countries—even in Chile. Consequently, my first question is this: Why must you sell all of them? Even the World Bank says you must evaluate which ones to sell and which ones to retain; and some of them are important. The other thing is the hasty privatization process which started after 5 April. Is it perhaps because there is no opposition to look into things? Is it easier to act more quickly because less questions are asked? Is it perhaps because things are stepped up for the sake of stepping them up but without the necessary openness?

[Boloña] All right. About the first question, meaning why sell everything when other countries, like Chile, did not sell its Copper Corporation. I think Chile did not do it for political reasons but I think it would have been better off if it sold Codelco and other enterprises. I think Chile failed in that.

[Vargas] Would it have solved anything?

[Boloña] I do not think it would have solved much but it would be better off. I think in our case the reason is much simpler. The enterprises were in such a state of economic need and disaster, and losing so much money, it was necessary to sell them—including Centromineperu [Central Peruvian Mining Enterprise] and the others. The state has no means for investment and it lacks the necessary management. Simply put, there was such a mismanagement our [words indistinct] really do what we should, meaning provide protection; manage justice; build roads; provide health, education, and social programs. We could not even do that, and that is a state's reason for existence. The other programs should be left in the hands of local and foreign investors instead of having the state handle it.

[Campodonico] Doctor, referring to this point, [pauses] let us take the case of Petroperu, for example. Petroperu has been losing money mainly because it could not establish prices, and the prices [pauses] it was selling below costs. It is called a monopoly but the main virtue, if we can call it that, of a monopoly is the ability to establish prices. A monopoly that does not establish prices is not a monopoly. If it loses money because it cannot establish a price—because the National Treasury takes most of the money—then it is evident it will appear as inefficient and bureaucratic. However, that is essentially a political, rather than technical, issue. In other words, there is no deficiency per se in the public enterprise.

[Boloña] I certainly think there is a deficiency per se because enterprises are politicized. It is not simply a matter of having the central government politicize the system to establish a price—which is also possible. It is better to privatize them so the government does not interfere. Second, Petroperu had twice the number of people it needed. Third, Petroperu started with the drilling operations and continued with gas station operations. No multinational enterprise in the world can do this because it is not economical. Hence, the whole concept is completely different. A privatization renders it efficient instead of having a monster that always loses money and is full of bureaucrats. I think this is the best way to do it.

The second question is very important, meaning why the haste after 5 April? [Words indistinct] Quite the contrary, the privatization became a challenge after 5 April because we were told: You will not even sell a nail because legal stability is at stake and a series of things will be at stake, so you will not be able to privatize anything. We had to prove we were capable of doing it. We had to continue with the privatization process. In fact, we were compelled to do it in the clearest way possible so there would be no problem before, during, or after 5 April. I think that is extremely important, and we are working on that. We have to step up the process even more if we want to conclude by 1995. [passage omitted]

[Vargas] A specific question for a specific answer, Mr. Minister. How much do you expect to get from the privatization process?

[Boloña] It is difficult to calculate.

[Vargas] An approximate amount.

[Boloña] We do not know how much will be sold in negotiable documents, if this type of instrument will be used, and how much will be sold in cash. I can tell you more than 50 million [currency unspecified] have already been collected and we can easily reach the $100-million mark this year as a result of the privatization process. We must work with what we have collected and not with what we would like to collect through the privatization process. It is also important to step up the privatization process so we can stop losing money. The government lost $4 billion in 1990 and $700 million as a result of these public enterprises. We do not know what the figure will be in 1992.

[Vargas] Yes, of course. The enterprises have to be sold at all costs if that is the situation. We will see. It is now the Arturo Salazar Larrain's turn.

[Salazar] Minister, I will ask you a question that, as Pedro Rosello said, is asked by men on the street and women in their homes: Why do we pay more every day when we have less electricity? All the tariffs are going up. Utility bills go up every month. Does electricity fall within the list of terrible things you have just mentioned? Is it due to lack of (?maintenance), management, and bureaucracy? Has the government tried to rationalize the operations of these enterprises, at least regarding electricity and water? Do we have the same bureaucrats or not? Has someone been dismissed? Have expenses been rationalized? Why do people have to pay this high quota of sacrifice?

[Bolona] I can understand that concern. The people on the street ask: If I am receiving less in services, why do I have to pay more? This question is well justified. Now, the other side of the coin which can be used as an argument—although it does not totally justify the increases—is that we currently are using petroleum to generate power; this costs much more than hydroelectric power. Also, there is a distortion in the electricity tariffs. Up until now it had been established that the kilowatts would be charged according to the area serviced, some paid more than others; this has resulted in the politicization of the tariffs that generated large subsidies and giveaways. Those who have to pay the higher tariffs have no electricity... [pauses] they have no access to the supply because no investment has been made in the sector.

Meanwhile, some restructuring is certainly taking place in the establishments. For example in Petrolima, personnel are being let go, other energy companies are also reducing their personnel [word indistinct], nevertheless, I believe that restructuring has to be much more aggressive, much more rigorous. [passage omitted]

[Marin] How is your struggle against inflation going? This has been labeled as the most successful initiative in the current government's program. In July it was 3.5 percent and in August, some analysts consider this rate can be maintained. This could become dangerous.

[Bolona] In any case, I do not believe it could become dangerous. I believe inflation is dangerous when it takes off uncontrolled. But, to have it brought down from 7,000 percent to 140 percent, and this year we could reach 50 percent; I believe we are on the right road. The goal is to maintain these levels and for them to continue on the downside, that is what we are working on. I repeat, inflation can take off at any time, we cannot say that inflation is over, not at all. To say that inflation is over we must have had more than 18 months of low inflation rates without any surprises.

[Marin] In August then, is inflation expected to be on the down side?

[Bolona] Yes, there should be a down trend in August, according to the forecasts.

[Marin] Could this be 3 percent?

[Bolona] It could be around that [word indistinct].

[Marin] Mr. Minister: What about the foreign front? How are our relations coming along with the multilateral institutions that heavily conditioned their funds on the political aspect to make disbursements, including credits that had already been approved. You recently were in Washington, and you have not said much since your return. What has happened?

[Bolona] We talked with the multilateral institutions but we must not be too optimistic, rather, I believe that in many aspects we must be totally realistic. With the IMF we have met the targets and a program has been agreed upon for the second half of 1992. What is more, an increase in the levels of expenditures has been approved because currently we have a [word indistinct] in public spending, so there is no problem there. To meet certain targets, IDB [Inter-American Development Bank] disbursements are being incorporated with those of the the IMF; this is very important for us. In the fourth quarter we must look for the financial sector's disbursement, we have to fight for this disbursement, it will not be easy.

It is precisely that credit which was suspended on 5 April that has a number of questions, not only technical but also political. We must resolve those political problems to unblock that credit so as to have access to those funds that had been [words indistinct]. This is what we are working on.

[Marin] Can anything more be expected this year—from now to December that is—on the amounts to be disbursed, besides the conditions and the obstacles that they put up?

[Bolona] I believe that by the end of the year, if we implement all our programs, we should be cleaning up our arrears with the IMF and the World Bank and we should be getting approval on other additional credits for the agricultural sector. This already has been approved on a technical level, now it has to go to the board of directors. There are also other additional IDB credits that we have been negotiating.

[Vargas] Augusto Alvarez will now ask the last question.

[Alvarez] Mr. Minister I would like for you to clarify some points. First of all, do the measures of the refinancing package imply a change in the program that has been arranged with the IMF?

Second, with regard to foreign policy, are we working on plans to hold a meeting with the Paris Club during the first three months of 1993, and if so, are you concerned about the possibility that the Democratic candidate might win the U.S. Presidency? Evidently, he will assign more political importance to bilateral relations with Peru.

[Bolona] With regard to the IMF, we are considering some changes in our goals. Perhaps, some of us might have preferred not to use our savings. Nonetheless, we have every right to make use of those savings, and we are

doing so. That is our clear stand with the IMF. That does not mean that we are setting aside the basic principles of the program. We are maintaining the basic points of the monetary and fiscal policy. I think these have to be maintained.

Concerning the support group, we will have some meetings probably during the 18-24 September meetings in Washington. There will be an exchange of viewpoints, and we have a very clear stand with regard to the support group.

With regard to the Democratic candidate, I think we must be prepared for either a Democratic or a Republican administration. Obviously, if the Democratic candidate wins there will be many changes in the cabinet and so forth, and we would have to start again by redefining and generating new relations. We already had all of that established as we had been working together for two years. In other words, we would have to make changes and invest some time to get to know each other.

[Vargas] Ladies and gentlemen: The program has ended. Thank you, Mr. Minister, for sharing our economic problems and the solutions. We also thank our panel members for being with us.

[Bolona] Thank you.

Venezuela

Minister Denies Rumors of Uprising at Fort Tiuna

PA2308012492 Caracas Venezolana de Television Network in Spanish 0000 GMT 23 Aug 92

[Text] Defense Minister Ivan Dario Jimenez has strongly denied rumors of an uprising at Fort Tiuna. After meeting at the Miraflores Presidential Palace, he reported that his meeting with President Carlos Andres Perez addressed the social welfare plan for the Armed Forces.

[Begin Jimenez recording] I believe there has been some delay, because the funds to implement the social welfare plan had not been approved. We have received some money and we are implementing the plan. We have begun the construction of on-base housing, we have purchased homes to be transferred to officers as mortgage loans, the trust fund is in motion—50 percent has already been deposited—and we are about to bring that figure up to approximately 75 percent. As you can see, we are trying to get the social welfare plan in motion. [end recording]

Ministers Comment on New Austerity Measures

PA2408224292 Caracas Venezolana de Television Network in Spanish 1600 GMT 24 Aug 92

[Text] After the important announcements made last night by President Carlos Andres Perez, some of the cabinet members explained to La Noticia program the significance of the adopted measures regarding jobs, defense, personal security, new taxes, and the sale of planes belonging to the public sector. Here are the ministers' remarks:

[Begin recording] [Ruben Rodriguez, labor minister] The imposed freeze has eliminated approximately 14,000 to 15,000 public posts, and the exclusion of the early retirement status will represent a savings of more than 20,000 public posts. These measures will allow the government to reduce its payroll without firing government workers.

[Unidentified reporter] Was there a weapons purchase scheduled before this measure was implemented?

[General Ivan Dario Jimenez, defense minister] We had no plans to purchase weapons. In the development plans outlined last year when we renewed the five-year plan, we had only taken into consideration the maintenance of equipment we currently had on hand; we did not plan to purchase weapons.

[Interior Minister Luis Pinerua Ordaz] The president's instructions will be followed to the letter. Protection for individuals is included in a program based on laws and regulations. We will reduce that protection to what is strictly necessary, in keeping with the government's obligation to guarantee security to specific persons.

[Ricardo Haussman, coordination and planning minister] It is obvious that the nation's fiscal accounts are not feasible without the new taxes. That brings us to the difficult political decision of insisting on the need for these new taxes.

[Pedro Rosas Bravo, finance minister] As we have said on previous occasions, everything will depend on the tax rates that are established and on their approval. We are working to have all the mechanisms in place to guarantee that these taxes are collected.

[Martinez Mottola, transportation minister] Practically all the public sector's aircraft except those belonging to the Air Force or those used for strictly technical tasks are being sold to the private sector. [end recording]

Petroven Strike Said '90-Percent Settled'

PA2108170792 Caracas Venezolana de Television Network in Spanish 0000 GMT 21 Aug 92

[Text] Labor Minister Ruben Rodriguez has reiterated the strike by Venezuelan Petroleum [Petroven] workers in Zulia State has been 90-percent settled. He explained most of the workers returned to work on 20 August.

To cope with the strike, Petroven subsidiary Lagoven, Incorporated implemented a contingency plan to soften the impact on operations of the measure adopted by a group of 1,500 Lagoven workers. Lagoven has not yet added up the losses caused by the strike. Petroven must issue a report on the matter. Labor Minister Rodriguez indicated his office took a series of measures to end the illegal strike, which lasted a few hours. Rodriguez noted the government cannot

let the production process of an industry as important as the oil industry be harmed by a group of persons who use the oil workers for their own purposes. Regarding the nine workers fired by Lagoven several months ago, the official stated the company decided to rehire seven of them.

[Begin Rodriguez recording] I want to say something very important. The strike is illegal and unjustified because none of the previous requirements were met and the reasons given do not offer any justification for it. The strike was prompted by interests alien to the workers and the workers have been used as cannon fodder. [end recording]

Foreign Minister on Position at Nonaligned Meeting

PA2208152592 Caracas Venezolana de Television Network in Spanish 0000 GMT 22 Aug 92

[Text] Speaking at an event to present the book "Cultural Agreements and Accords Signed by Venezuela," Foreign Minister Fernando Ochoa Antich said the ministry requires urgent changes and the help of all.

Ochoa said the foreign service must be given professional status so the Foreign Ministry can govern the country's foreign relations. He said the book presented will make it possible to expedite the ministry's various activities and will reinforce Venezuela's cultural relations with other nations. Asked about Venezuela's stand regarding the Nonaligned Movement meeting, he said Venezuela will support Yugoslavia.

[Begin Ochoa recording] A rather small delegation will attend the Nonaligned Movement meeting because of the Foreign Ministry's tight budget. Our position will be to support the nonaligned countries. We intend to highlight what is happening in Yugoslavia. [end recording]